BC hydro

Corporate Business Plan

For the period April 1, 1991 to March 31, 1994

proud of our Service

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CORPORATE BUSINESS PLAN
for the period
April 1, 1991 to March 31, 1994

Further information is available from:
Management Services Division
B.C. Hydro
970 Burrard Street,
Vancouver, British Columbia
V6Z 1Y3

British Columbia Cataloguing in Publication Data
B.C. Hydro. Management Services.
Corporate business plan for the period .... —
1990/1993-

Annual.
Continues: B.C. Hydro. Financial Planning Dept.
Corporate business plan for the period...
ISSN 1180-2170

1. B.C. Hydro. I. Title.

HD2768.C35B75 354.711087'22

This publication was produced through the cooperative efforts of a self directed, empowered workteam in the Management Services Division

March 1991

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Offering Choices Through Teamwork

The strategies described in this Corporate Business Plan all have one thing in common....teamwork. Without teamwork, B.C. Hydro would not be able to offer the choices necessary for a progressive utility to excel in the 1990s and to set the stage for the 21st Century:

Offer choices as to how the demand for electricity can be met.

B.C. Hydro is teaming up with its customers, private sector organizations and other utilities to provide a variety of supply alternatives which will enable British Columbia to meet its energy needs in a cost effective and environmentally responsible manner. As well, expertise related to supplying electricity, such as engineering consulting and high technology research and development, is being offered to existing and potential customers through our subsidiaries.

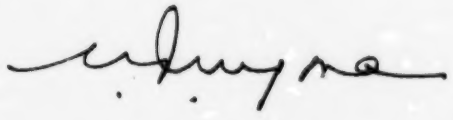
Offer the marketplace choices in how they do business with B.C. Hydro.

B.C. Hydro has customers and is itself a customer of many companies. This Plan discusses how teamwork is being used to offer our customers and suppliers choices and opportunities so they can do business with us in new and mutually beneficial ways.

Offer our employees flexibility in choosing how they get the job done.

Superior customer service and corporate efficiency can best be achieved by giving our employees flexibility in how they apply their talents to improve the way in which they collectively do their jobs. Throughout our Business Plan you will see examples of how empowered workteams, training and other programs will make this happen.

Underlying our teamwork approach to offering choices is a commitment to ensuring that B.C. Hydro's strategies contribute to the economic development of all regions of the province.



W. Robert (Bob) Wyman
Chairman and Chief Executive Officer

B.C. HYDRO
LOCATION MAP FOR
MAJOR GENERATION FACILITIES

The Business of B.C. Hydro

B.C. Hydro is Canada's third largest utility, providing over 40,000 gigawatt hours (GWh) of electricity per year to more than 1.3 million customers ranging in variety from heavy industry and commercial business to rural farms and suburban households. The majority of B.C. Hydro customers are served by the corporation's hydroelectric plants linked together by an extensive grid of over 17,000 kilometres of transmission lines and 50,000 kilometres of distribution lines. The few remote communities not connected to the integrated grid are served primarily through small diesel generating plants.

B.C. Hydro was established in 1962 through the merger of several public and private utilities. Its mandate was to assist British Columbia's future economic growth by developing the relatively untapped major hydroelectric resources of the province in order to provide an efficient, reliable and competitively priced source of electricity. Over the last three decades, B.C. Hydro has developed a major part of the Columbia and Peace River systems and now has a total capacity of over 10,000 megawatts (MW) made up of thirty hydroelectric, one thermal, fourteen diesel and two gas turbine generating facilities. Approximately seventy-five percent of this capacity is generated by the Mica, Revelstoke, Kootenay Canal and Seven Mile stations on the Columbia River and the G.M. Shrum and Peace Canyon facilities on the Peace River.

B.C. Hydro is predominantly a hydroelectric based utility which is internationally renowned for its expertise in building hydroelectric projects involving some of the most diverse and complex engineering challenges in the world. Not withstanding this expertise and reputation, the corporation is changing its approach to pursue a variety of energy alternatives. These alternatives, which include conservation, coordination and private sector generation, will help B.C. Hydro improve customer service and minimize the environmental impact of meeting the growing demand for electricity in British Columbia.

Corporate Strategic Platform

B.C. Hydro's vision, mission, objectives, values and principles provide the strategic platform on which this Business Plan has been constructed.

Corporate Vision

A commercial, public enterprise providing energy options which enhance the quality of life and productivity of the people of British Columbia:

- through an integrated electric business supported by a dynamic network of autonomous business units.
- with highly qualified, empowered people who are committed to innovative work patterns and lifelong learning.

Corporate Mission

The mission of B.C. Hydro is:

"To support the development of British Columbia through the efficient supply of electricity."

Corporate Objectives

B.C. Hydro has established five corporate objectives in support of its mission statement:

- To maximize our contribution to the economic development of British Columbia.
- To minimize the impact of our activities on the natural environment.
- To be the most efficient utility in North America.
- To be a superior customer service company.
- To be one of the best employers in British Columbia.

All corporate strategy is intended to align itself with and support the company vision and mission statement by specifically aiming to achieve these five objectives.

Corporate Values

We, as employees of B.C. Hydro, value:

- Integrity: Our actions match our words.
- Commitment: Our enthusiasm is contagious.
- Teamwork: We work together towards shared goals.
- Innovation: We try new ideas and learn from our mistakes.
- Empowerment: Empowered teams define their own appropriate behaviour.

Practicing these corporate values in a freely accessible working environment supports the vision, mission statement and objectives and it promotes excellence in all employees.

Business Principles

We, as employees of B.C. Hydro, are committed to be:

- Customer focused
- Results oriented
- Market competitive
- Excellence driven
- Environmentally responsible
- Community sensitive
- Safety conscious

Corporate Motto

Together all B.C. Hydro employees share a common vision of the company's purpose and reflect this in a motto that says:

proud of our Service

Planning at B.C. Hydro

This Corporate Business Plan has been impacted by many external influences such as the Provincial Energy Policy, Public Consultation Process and Economic Outlook and represents the culmination of a number of planning processes including the Load Forecast, Electricity Plan, Management Plans and Financial Planning.

Provincial Energy Policy

In November 1990, the provincial government released an energy policy entitled *New Directions for the 1990s*. This policy is based on four themes:

- EFFICIENT ENERGY: Cutting energy waste lowers consumer energy bills, benefits the environment and makes British Columbia industry more competitive.
- SECURE ENERGY: Managing existing resources effectively, finding new sources of supply, increasing fuel choice for consumers and maintaining the quality and quantity of energy supplies will ensure long-term energy security for the province.
- CLEAN ENERGY: Shifting to cleaner fuels and reducing the environmental impacts of energy supply and use will help improve the quality of our air, water and other natural resources.
- ENERGY FOR THE ECONOMY: Developing energy resources across British Columbia will stimulate regional growth and bring economic benefits to the province as a whole.

B.C. Hydro's plans for the future are in concert with these policies and the corporation will continue to work closely with the provincial government to support the new energy ethic.

Public Consultation Process

B.C. Hydro is putting choices about energy policy out to the general public, interest groups, business and local government. By involving these parties through the public consultation process B.C. Hydro hopes to:

- Provide ongoing opportunities for residents in affected communities to exchange information and views with B.C. Hydro.
- Achieve some measure of public agreement regarding what the issues are and how best to address them.
- Respond to community concerns in an open, honest and straightforward manner.
- Meet regulatory requirements and provide regulators with information on public perceptions and how B.C. Hydro will address these requirements.

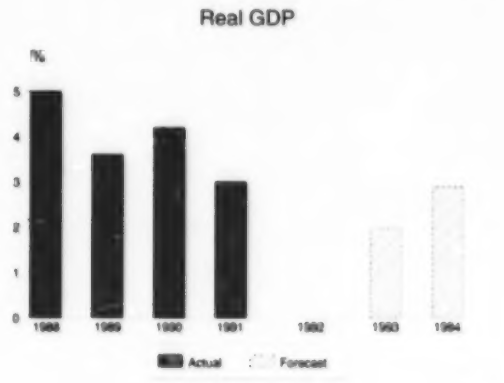
Accomplishing these objectives will ensure that the people of British Columbia play an important role in making the right choices regarding our energy future.

Economic Outlook

For the three year period covered by this Business Plan, most economic indicators point to a period of slower economic growth followed by a modest recovery.

	1992	1993	1994
ECONOMIC:			
Inflation Rate	5.0%	4.5%	4.5%
Real GDP	0.0%	2.0%	2.9%
Population Growth	1.5%	1.9%	2.0%
Change in New Capital Investment	0.0%	9.5%	12.0%
Housing Starts (Thousands)	24.0	28.0	28.5
FINANCIAL:			
Interest Rate	10.0%	10.5%	10.5%
U.S. Exchange Rate	$0.81	$0.80	$0.79

This slowdown and recovery is particularly evident when the projected provincial Gross Domestic Product (GDP) is compared to actual growth in recent years.



In recognition of the fact that the economic outlook is uncertain, flexibility has become a key planning objective. B.C. Hydro's planning processes are designed to identify alternatives that can be implemented, deferred or substituted subject to economic conditions and the resulting impact on revenues. Examples of this include the variety of supply options identified in the Electricity Plan and the company's staffing strategy which is based on maintaining a core group of regular employees and utilizing temporary and contract staff to handle workload peaks. Underlying these types of strategies is the recognition that teamwork enhances and expands the options B.C. Hydro has to choose from.

Load Forecast

The mandate of the newly formed Resource Management group is to plan for, acquire and operate the resources for the integrated system. As one of the key steps in fulfilling this mandate, a team of experts from this group, working in cooperation with major industry and through public consultation, develops B.C. Hydro's load forecast. Over the three year period from April 1, 1991 to March 31, 1994, gross domestic sales of electricity are forecast to increase from 40,452 GWh to 43,870 GWh. This represents an overall average annual increase of 2.7%. When the Power Smart and Self-generation demand reduction programs are taken into account, the growth is from 40,287 GWh to 42,618 GWh which equates to a reduced annual average increase of 1.9%.

Sales in the Residential sector are a function of the number of accounts and the use rate as measured in kilowatt hours (kWh) per account. The growth in the number of Residential accounts is projected to average 2.2% per annum over the next three years which equates to approximately 25,300 new customers each year. Tempering the increase in the number of accounts is an expectation that the use rate or level of consumption per account will start to decline in fiscal 1994. This decline is anticipated

due to Power Smart and because the number of people per household is decreasing, the housing mix is shifting to more row houses and apartments which require less energy than single family dwellings, and appliances are becoming more energy efficient.

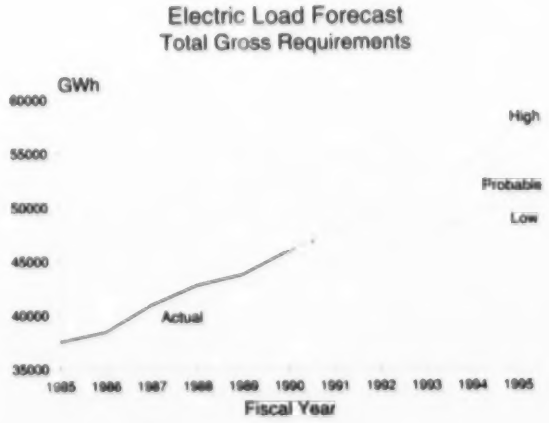
General sector sales, which include most commercial and some smaller industrial customers, are driven primarily by the population and GDP forecasts. British Columbia's population is expected to increase by an average of 1.8% in each of the next three years, which is less than the 2.3% experienced in the prior three years. Over the same period, GDP is projected to increase on average by 1.6% per annum. In addition, the use rate in this sector should increase with more emphasis being placed on office automation.

The Transmission sector encompasses major industrial customers and the large commercial organizations not included in the General category. Approximately 57% of the sales in this sector are to companies involved in the production of paper and allied products. During the three years covered by this Business Plan, sales to the pulp and paper industry are forecast to increase by 628 GWh due largely to the introduction of more energy intensive pulping technologies. Load growth is also expected from wood manufacturing (82 GWh) and chemical manufacturing (36 GWh). The overall sector growth will be partially offset by an anticipated decline of 205 GWh in metal mining industry consumption and by self-generation projects.

PROBABLE DOMESTIC SALES FORECAST BY RATE CATEGORY

	Residential	General	Transmission	Other	Gross Sales	Power Smart / Self Generation	Net Sales
1991 Actual	11413	13095	14866	1078	40452	(165)	40287
1992 Forecast	11787	13505	15225	1328	41845	(455)	41390
1993 Forecast	12180	14020	15358	1249	42807	(823)	41984
1994 Forecast	12506	14426	15681	1257	43870	(1252)	42618
Average Annual Growth for the 1992-1994 Period	3.1%	3.3%	1.8%	5.3%	2.7%	97%	1.9%

B.C. Hydro's planning takes into account the uncertainty inherent in forecasting this demand for electricity by looking at high, probable and low scenarios.



Electricity Plan

Based on the demand forecasts, Resource Management staff formulate the Electricity Plan. This plan identifies the supply choices available to meet demand and prioritizes the options as follows:

1. Power Smart
2. Coordination and Purchases
3. Resource Smart
4. Private sector generation
5. New hydro generation in developed basins
6. New hydro generation in undeveloped basins

It is important to note that all of these choices will potentially contribute to meeting British Columbia's energy needs and, as you will see in the Supply section of this Corporate Business Plan, teamwork will play an integral role in the successful implementation of these choices.

Management Plans

With the forecast of what the demand for electricity is likely to be and what supply alternatives are available to B.C. Hydro, the task of planning for the wide variety of functions required to run a large corporation is undertaken.

To understand the management planning process at B.C. Hydro, one must first be aware of how the corporation is structured. There are three Strategic Business Units:

- PRODUCTION is responsible for the generation and transmission of electricity and for supplying power directly to large, high voltage customers.
- CUSTOMER SERVICE handles the distribution of electricity to customers.
- SYSTEM DEVELOPMENT provides engineering services for planning, project management, design and construction of the electric system.

There are also a number of Service Groups.... Corporate and Environmental Affairs, Finance and Administration, Human Resources, Resource Management, Legal Services and Energy Innovation.

Each of these organizational units is comprised of a number of Key Business Units. In total there are over sixty Key Business Units in the corporation. All business units prepare annual management plans which identify their objectives, action plans and resource requirements for the upcoming three year period. In addition, these plans contain the Key Performance Indicators which are used to measure each unit's progress towards meeting its objectives. Performance indicators, which are displayed throughout this Corporate Business Plan, identify a range of targets with the following definitions:

- *Excellence:* Superior performance achieved by working and managing at optimum levels.
- *Expected:* An average or most probable level of performance.
- *Minimally Acceptable:* A minimum standard which signals the need for action to improve performance.

The fiscal 1991 actual results shown on the graphs and tables in this Plan are projections of the expected results at March 31, 1991.

The Strategic Business Units and Service Groups also develop plans each year which focus on the contribution their respective Key Business Units are making to strategic corporate initiatives.

As well, management plans are prepared by B.C. Hydro's subsidiary companies which include the British Columbia Power Exchange Corporation (electricity trade), Dunsmuir and Edmonds (property development), B.C. Hydro International Limited (marketing engineering services in Canada and internationally), Powertech Labs (research and testing services), Western Integrated Technologies (computerized information processing) and Power Smart Incorporated (demand side management).

Financial Planning

Underlying all B.C. Hydro's planning processes is the corporation's movement towards earning a normal return on investment while ensuring electricity is appropriately priced relative to other fuels. The corporation must be run on a fiscally responsible basis which means the choices described in this Plan must be prioritized and implemented within a set of financial parameters. To this end, operating and capital expenditure targets are established.

The available operating funds are provided to the Key Business Units based on historical performance and projected requirements. In keeping with the need to be flexible in our planning, each business unit identifies the programs and projects it would undertake if revenues are sufficient to support a 5% increase in spending. Conversely, they also identify the activities that will have to be abandoned or deferred should revenues be lower than anticipated and a 5% expenditure cut is required.

For the next three fiscal years, requirements for capital dollars exceed what the corporation can afford to spend. To ensure that the most critical capital projects are funded, all requests are prioritized based in part on analyses of costs versus benefits.

TEAMWORK

"We work together towards shared goals."

People Teamwork

In order for teamwork to exist and be an integral part of how our business excels, the people working at B.C. Hydro must be highly skilled, flexible and motivated. To ensure the corporation has a workforce that meets these criteria for success, the *Building Team 2000* human resource strategy is being implemented.

Building Team 2000

This strategy is based on three fundamental themes:

- BALANCING THE WORKFORCE involves effectively transferring the skills and knowledge of a mature workforce to the next generation and working toward achieving employment equity.
- STRENGTHENING THE TEAM addresses achieving productivity gains through training, restructuring, the transfer of technical skills and having a flexible, mobile workforce.
- BUILDING THE CULTURE focuses on having an informed workforce committed to appropriate protection of our natural environment, providing opportunities for employees to achieve a well-balanced lifestyle and emphasizing corporate values.

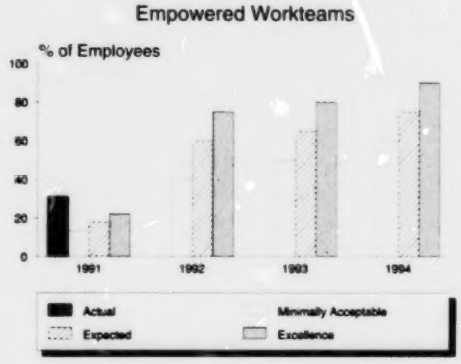
Implementing this strategy is a team effort involving the Corporate Human Resources Group (development and monitoring of corporate policies and programs), the Human Resources Consulting and Services Unit (delivery of programs to B.C. Hydro's business units) and the Human Resources staff in each of the Strategic Business Units. A variety of programs are being implemented as part of five major initiatives....*Unleashing Talent, Compensating for Contribution, Equity is Our Business, Raising Safety Awareness and Building Responsible Partnerships.*

Unleashing Talent

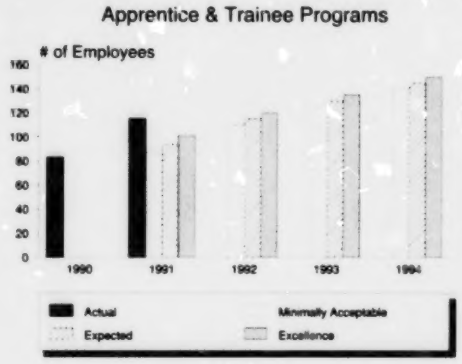
B.C. Hydro is committed to unleashing employee creativity, increasing productivity and job satisfaction and improving service for all customers. A number of avenues are being pursued to accomplish this including flattening the organization, increasing employee involvement through empowered workteams and enhancing workforce competence.

B.C. Hydro is shifting from a traditional hierarchical structure to a flatter organization based on empowered workteams. A simple definition of the word empower is "to enable or

permit" and this is exactly the concept behind empowered workteams. Employees and their managers agree to form teams which take responsibility and accountability for specific work. Managers enable teams to get the job done by ensuring they have the necessary competence and resources and by delegating decision making based on demonstrated competence. Considerable emphasis is being placed on facilitating the development of and support for these empowered workteams. Over the next three years, B.C. Hydro expects the majority of employees will be involved in empowered workteams and "working smarter" by continually improving the ways in which they work together.



A fundamental part of unleashing talent is providing staff with opportunities to develop the competence they require to excel in their jobs. The corporation expects to maintain its investment in training at the current level of 6% of annual labour costs. One of the ways B.C. Hydro is increasing competence is by joining forces with a number of educational institutions through *Partners in Education* ventures. One such venture, in conjunction with Capilano College, is the development of business management education courses on *Managing in the 90s, Business Case Preparation and Financial Management for Non-Accountants*. Another key means by which competence is being passed on to tomorrow's workforce is through expanded apprentice and trainee programs.



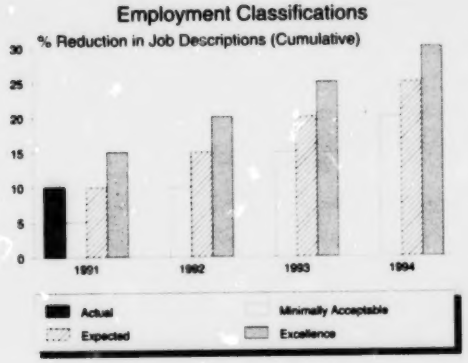
Workforce competence is also enhanced by exposing employees to a greater variety of job situations. An example of this in action is the Finance and Administration Rotational Employee Development Program which identifies suitable candidates and opportunities for them to work in different financial or administrative jobs or in other functions in the corporation

Compensating for Contribution

Programs designed to support the shift to empowered workteams and strengthen the linkage between pay and performance are being initiated at B.C. Hydro.

Throughout the corporation efforts are underway to reduce the number of job descriptions and make them more generic in nature. By moving away from jobs with narrowly defined areas of responsibility employees will enjoy greater variety in their work, advancement opportunities will improve and productivity will increase. Having fewer, broader job descriptions will also provide flexibility which is very important in an empowered workteam environment.

Examples of these efforts can be seen in the telecommunications area where a simplified job description for technicians has been implemented and in the System Development Group where the number of engineering job descriptions is targeted to be reduced by 67%.



Team based compensation, which considers both the performance of the individual and the overall success of the individual's workteam, will become more common at B.C. Hydro over the next three years. This approach helps team members focus on the activities most important to the overall success of the group and provides incentive for members to help each other get the job done. An example of this can be seen at the Surrey Electric Shop where a gain-sharing program was implemented on a project involving the manufacture of coils for an outside company. The compensation plan under this program rewards productivity increases and measurable cost reductions.

A portion of the compensation received by non-unionized B.C. Hydro employees, referred to as incentive or excellent results pay, is directly related to their contribution to meeting specific objectives during the year. The ongoing challenge for B.C. Hydro will be to optimize the use of these incentives in compensating for contribution.

Equity is Our Business

Over the next decade B.C. Hydro will be faced with the challenge of replacing a large number of experienced employees who will be retiring. Employment equity is a key strategy for effectively transferring the skills of the corporation's highly technical workforce to a new generation of employees. Equity will ensure that B.C. Hydro can retain the best human resources by attracting people from all sectors of the changing labour market.

To achieve equity, B.C. Hydro is implementing programs aimed at increasing the number of women in both senior positions and non-traditional areas such as the trades, hiring more native people and providing employment opportunities for people with disabilities. In general, these programs are designed to:

- Ensure people are aware of where future labour shortages will exist, know what skills are required for these jobs and have equal access to the opportunities.
- Provide the training and development needed for employees to compete equally for future opportunities.
- Raise employee awareness so they are able to manage diversity effectively.
- Invest in support systems such as child care, flexible working arrangements and telecommuting which will assist employees in maximizing their potential.

The following are a few specific examples of the many equity activities taking place in all parts of B.C. Hydro.

A number of women will be involved in the Customer Services Management Development Program and approximately half the candidates entering the current Graduate Engineer Training Program are women. Scholarships and career symposia are also offered to create awareness and provide support to individuals interested in pursuing new career options.

B.C. Hydro is sponsoring native students in work experience placements, recruiting through the Canadian Council for Native Business for their internship program and proposing a cooperative effort between the corporation and native leaders to provide scholarships in several regions of the province. In addition, native groups like the Anderson Lake Band are being hired on a contract basis to do rights-of-way maintenance and other work.

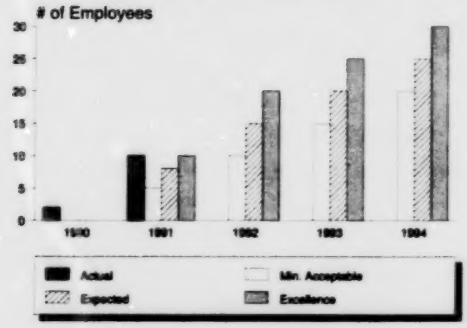
Women in Senior Positions

Native Employees

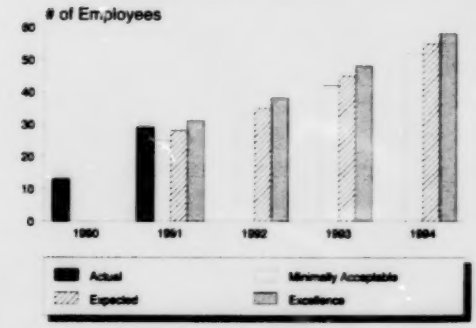
To promote the idea of women selecting trades as careers, B.C. Hydro is offering scholarships for the British Columbia Institute of Technology's Trades Exploration Program for Women, working with the unions to attract more female members and conducting tours to introduce interested women to the work environment.

Employment opportunities for people with disabilities are being created through work experience placements and B.C. Hydro's ongoing work with organizations such as the Canadian Paraplegic Association. As part of the corporation's commitment to the disabled, B.C. Hydro is planning to be a sponsor of *Independence '92*, a trade fair designed to increase awareness of the needs and capabilities of the disabled.

Women in Trades



Employees with Disabilities



Another way the corporation is ensuring it has access to a skilled workforce in the future is through *Partners in Education*. B.C. Hydro is teaming up with educational institutions to assist students in developing the skills, knowledge and attitudes required to excel in a leading edge utility and to increase awareness of environmental, safety and conservation issues.

Raising Safety Awareness

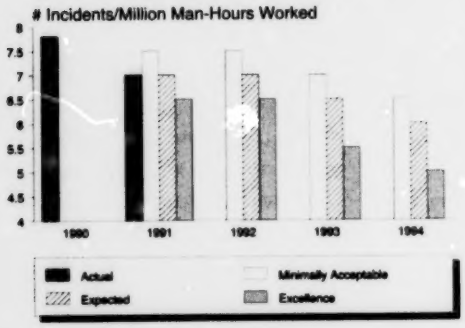
In the context of B.C. Hydro's human resources strategy, safety awareness encompasses safety on the job, emergency preparedness and fostering a healthy and safe lifestyle.

The company already has one of the lowest employee accident frequency rates among utilities in Canada and work is continuing to decrease the rate even further. One example of this work is a series of videos entitled *Responsibility and Accountability for Safety* which are being produced and will be shown to all B.C. Hydro employees in fiscal 1992. The team responsible for this project is made up of members from Corporate Safety, Production, Customer Service, the unions, the Workers Compensation Board and a film production company.

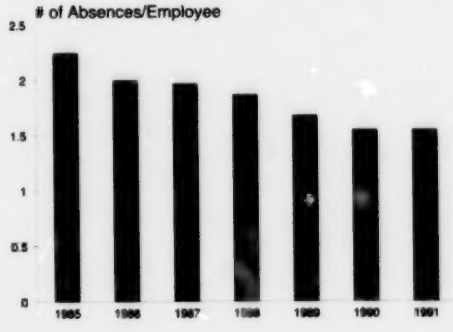
In the event of an earthquake or other emergency B.C. Hydro must be able to respond and restore power quickly. To this end, teams in Production, Customer Service, System Development and Corporate Safety are focussing on the coordination of emergency response and recovery plans within B.C. Hydro and with external groups. It is anticipated that these plans will be in place in fiscal 1992.

Since the mid-1980s there has been a steady decease in the frequency and length of absences due to illness at B.C. Hydro. This is a testament to the success of a variety of initiatives that are making work more rewarding and the Lifestyle Program which promotes physical and mental fitness. With continued commitment to these and other initiatives which are making B.C. Hydro a "best employer", the corporation expects to maintain the average number of absences per employee at its current low level of 1.54 in each of the Plan years.

Employee Accident Frequency Rate



Sick Leave Frequency



Building Responsible Partnerships

B.C. Hydro is continually looking for ways to build responsible partnerships with its unions. To accomplish this requires increased communication and a willingness to seek input on business decisions that change the workplace and impact employees. By identifying opportunities in areas such as training, equity, safety and productivity where both labour and management can participate in formulating strategies and objectives, the corporation will arrive at the best value-added solutions.

Examples of recent successes are an agreement with the International Brotherhood of Electrical Workers regarding a statement of principles governing the parties in the implementation of empowerment and an agreement with the Office and Technical Employees Union dealing with the hiring of temporary employees.

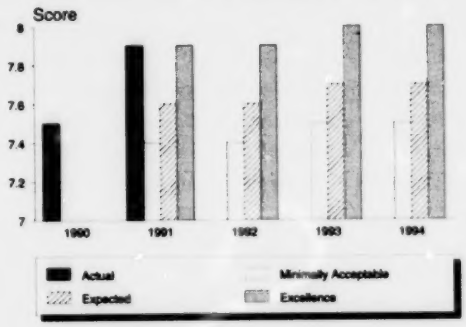
Human Resources Information System

The Human Resources Information System (HRIS) will be an important tool in supporting the programs described above. HRIS will improve the effectiveness of human resources staff and line management by giving them access to and accountability for the information necessary to responsibly manage B.C. Hydro's human resources. Implementation of the system is scheduled to occur during the first half of fiscal 1992 with additional functionality being developed over the course of the year.

Service Teamwork

One of B.C. Hydro's five corporate objectives is "to be a superior customer service company". To measure how the corporation's customers feel about the service B.C. Hydro is providing, a survey is conducted annually. Issues given the highest importance ratings in the most recent survey were speed in restoring power when an outage occurs, handling customer enquiries in an efficient, prompt and courteous manner, demonstrating concern for public safety and ensuring the supply of electricity is reliable. These were also the issues for which customers expressed the highest levels of satisfaction with the service being provided. Overall, B.C. Hydro received a customer service rating of 7.9 out of 10, an increase from 7.5 the previous year.

Customer Satisfaction Survey



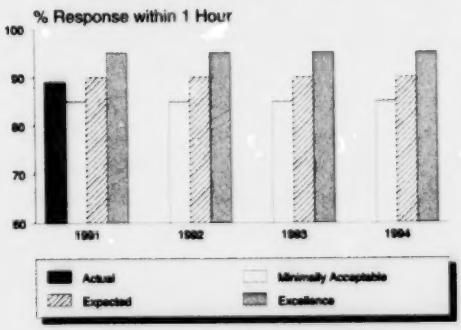
Key strategies and initiatives B.C. Hydro staff are undertaking to further improve customer satisfaction involve Service Responsiveness, Public Safety, Electric System Reliability, Strategic Maintenance and Dam Safety.

Service Responsiveness

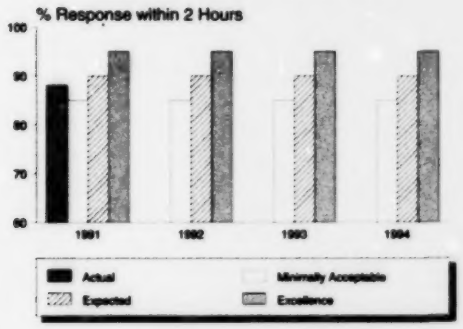
Customers come in contact with B.C. Hydro staff when trouble crews respond to power outages, a new electrical connection is requested or a call is made to a customer service centre.

B.C. Hydro's response to trouble calls is an important component of customer service. A corporate commitment has been made to respond to 90% of emergency trouble calls, where public safety is at risk, within one hour and to 90% of urgent multi-customer trouble calls, where public safety is not at risk, within two hours.

Multi-Customer Emergency Trouble Calls

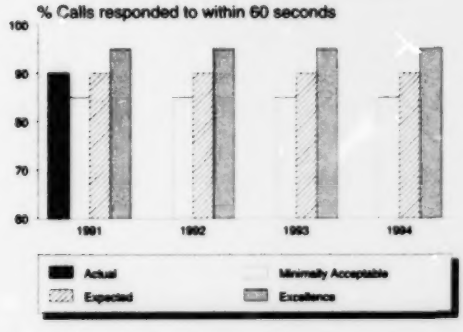


Multi-Customer Urgent Trouble Calls



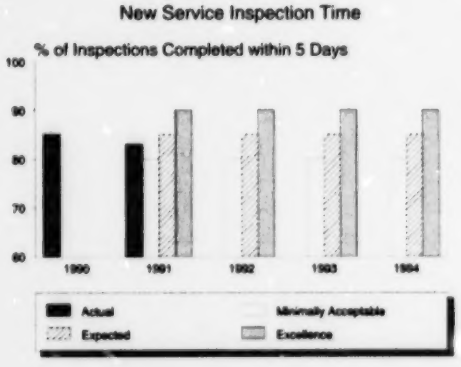
Extensive improvements have been made to the customer service telephone network in order to improve responsiveness. This network links customer service representatives in the five Lower Mainland offices with Victoria, Prince George and Vernon. B.C. Hydro's response time for customer service enquiries and trouble calls has been reduced to the point where over 90% of customer calls are responded to within sixty seconds.

Telephone Enquiry Response Time

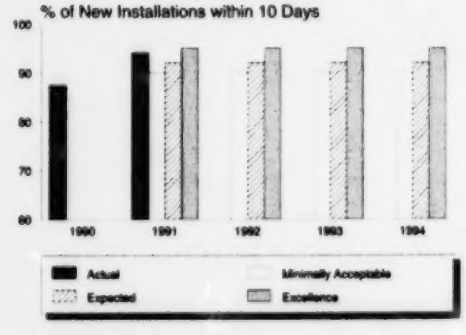


Another important indicator of customer service is the time required to connect new customers to the electric system. Quality of service levels have been established for both site inspection and installation times. The targets for inspections and for installations are five and ten working days, respectively. Close teamwork between facilities planning staff and the line crews responsible for on-site work is essential to ensure new customer connections are handled efficiently.

New Service Inspection Time

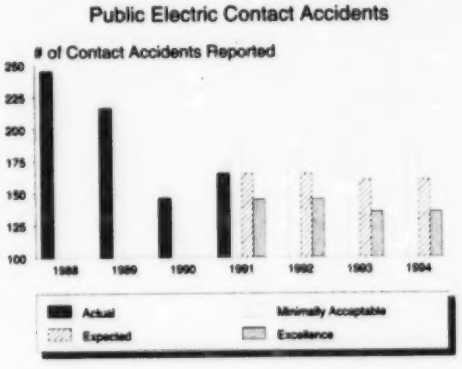


New Service Installation Time



Public Safety

Ensuring public safety around electric power facilities and reducing electric contact accidents are critical initiatives for B.C. Hydro. Between 1988 and 1990, public electric contact accidents declined. Regrettably, in fiscal 1991, the number of accidents rose. This points to the need for continuing emphasis on increasing public awareness of electrical hazards through the school, training and promotional programs. An example of one of these programs is B.C. Hydro teaming up with the Justice Institute of British Columbia to distribute instructional videos and booklets on how to handle electrical wires in the event of an accident to police, fire and ambulance stations throughout the province.



Electric System Reliability

Electric system reliability is being improved through the Reliability Management Strategy and power quality studies.

Reliability Management Strategy

In 1990 a Reliability Management Strategy was developed to assure planned system performance and provide a comprehensive and flexible response to:

- The increasing complexity of power sources and power delivery agreements.
- The need to maximize the performance of existing facilities and equipment.
- Customer demands for improved supply continuity due to increasing use of electronic equipment.
- The aging of the electric system and concerns for appropriate maintenance, rehabilitation and replacement of equipment.

B.C. Hydro is the first Canadian utility to undertake such a comprehensive and future oriented initiative. The strategy is made up of 66 programs involving power generation, transmission, substations and distribution to customers. Over the short-term, the strategy will provide a framework for monitoring, assessing and reporting on system performance, developing new methods to predict system reliability and developing means to maintain system reliability. This information will be shared with outside agencies, customers and the public. The long-term goal is to match electric system reliability levels and costs with customer needs through changes in planning, design and operating procedures.

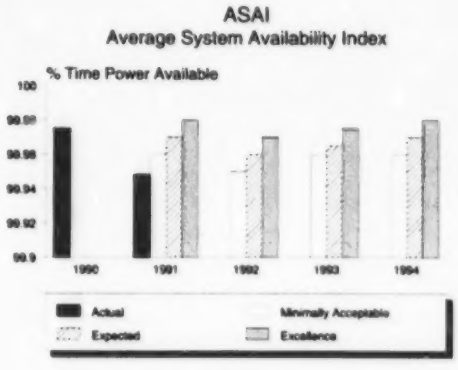
A key initiative, which B.C. Hydro will undertake in cooperation with seven other Canadian utilities, involves estimating the value of system reliability through a customer survey of the impacts and costs of electrical outages. The B.C. Hydro team includes members from Production, System Development and Customer Service together with staff from External Relations.

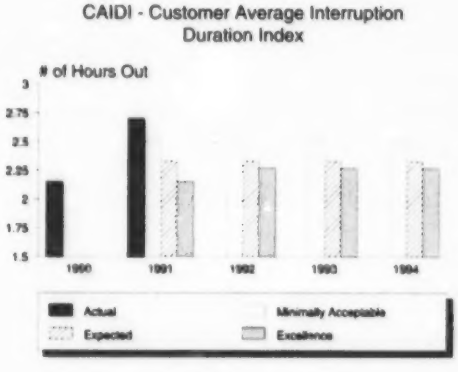
Other reliability management initiatives include:

- The installation of additional auxiliary oil reservoirs on underground transmission lines between substations. Over the next two years, two cables will be upgraded to provide each with its own oil reservoir. This will ensure that an oil deficiency can shut down only one transmission line and will improve the transmission reliability between substations.
- A study of distribution feeder control has been initiated to determine the potential to reduce customer outage duration. A pilot project involving the installation of sectionalized switches with remote fault indicators and control functions in two outage-prone Fraser Valley distribution circuits will provide valuable data and insights. The total cost of the study is budgeted at $1.1 million between 1990 and 1992.
- A project team managing the development of a Distribution Automation System will help to optimize the efficiency and reliability of the distribution system. This system creates the ability to monitor, coordinate and operate distribution equipment from remote locations such as control centres, substations and area offices.

At present, two key indicators are used to monitor reliability of distribution supply to customers. Outages of less than five minutes duration and planned outages are excluded. The Average System Availability Index measures the percentage of total time that electricity is available to customers. The Customer Average Interruption Duration Index measures the average number of hours an interrupted customer on the system is without power.

B.C. Hydro's performance against these measures is impacted by the fact that crews frequently face difficult and hazardous conditions due to the weather and terrain of British Columbia and long distances must be travelled by crews to restore power in remote areas.





In December 1990, unprecedented winter storms resulted in significant power outages for B.C. Hydro's customers. B.C. Hydro spent close to $3 million to restore service to customers. A comprehensive review involving employees and customers was conducted to study reliability of service under storm conditions. The review investigated the time required to restore power, the availability of qualified staff and contractors, system vulnerabilities during extreme weather conditions and the supply of power to customers during periods of high demand. The resulting *Best Report* makes 24 recommendations which are being considered for implementation.

Power Quality

Power quality refers to the frequency and magnitude of momentary voltage disturbances in the electricity delivered to customers. This is an increasingly important dimension of reliable service because of the growth in usage of electronic equipment by business and residential customers. A power quality study with a budget of $1.2 million over two years was initiated in 1990. The study will make recommendations on power quality standards and specialized customer services based on the development of a database which tracks factors affecting power quality within B.C. Hydro's service area. The project team responsible for this study is made up of personnel from Production, Customer Service and Powertech.

Around the province, different sites are being monitored for one month at a time to collect power quality data. The monitoring program has been expanded to include transmission customers. Growing interest in other utilities has opened up the potential to develop power quality benchmarks in the near future.

Strategic Maintenance Plan

In fiscal 1992, B.C. Hydro will be launching a five year $110 million maintenance plan. The purpose of the plan is to reduce the backlog of preventative maintenance on generating, substation and transmission facilities and to address major rehabilitation work required on aging equipment and facilities. An additional $18 million has also been allocated to catch up on distribution system maintenance over the next five years. Approximately half of this amount will be used to replace over 7,300 poles with further expenditures on pole-top inspections, rights-of-way maintenance and replacement of conductor. This special funding will enable staff to reduce the gap between maintenance capabilities and requirements. The work will ensure that the current level of electric system reliability, already one of the best in Canada, is maintained.

Maintenance backlog issues were analyzed by workteams formed in both the Customer Service and Production groups. The workteams played a critical role in defining the scope of maintenance problems, identifying and evaluating alternative solutions and developing an implementation plan.

An implementation team has been formed to oversee the plan's many activities during the upcoming five year period. The Production group has also appointed a project manager to direct their substantial and complex program. Consideration is being given to the formation of specialized teams to tackle some key technical challenges. Under this approach, a team of personnel from various areas of the province who are highly experienced in 500 kilovolt circuit breaker maintenance could be formed to undertake this specialized maintenance activity at a succession of substations. The increasing familiarity with specific equipment will allow the maintenance to be completed over a shorter period of time with significant savings to the corporation.

Expenditures under the Strategic Maintenance Plan are in addition to annual expenditures of approximately $85 million by Production and $32 million by Customer Service for ongoing or "steady-state" maintenance work required to maintain facilities and equipment in safe, reliable operating condition.

Dam Safety

As a responsible corporate citizen, B.C. Hydro is committed to ensuring that the corporation's dams are designed, constructed, operated and maintained for the safety of the public. To meet this commitment, a safety program based on national and international standards has been initiated through the Office of the Director of Dam Safety. Cumulative costs of dam safety improvements to date are approximately $102 million and major work is planned for the Allouette and Wahleach dams in fiscal 1992. The estimated capital cost of bringing the remaining dams up to today's stringent standards could be as much as $200 million.

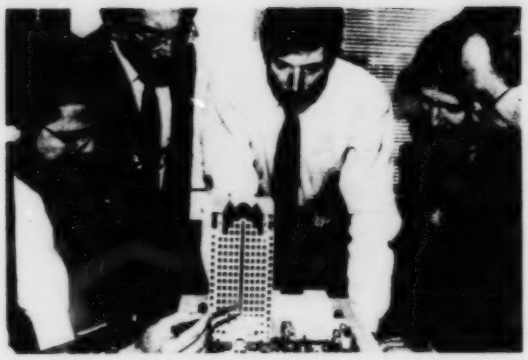
Geographic Information Systems

The Geographic Facilities Information System is a strategic project involving the conversion of distribution system maps and information to a digitized electronic database. Converting to a digitized database will improve customer service and reduce the cost of creating, revising and maintaining facilities maps and records. Service planners and technicians will be able to access the system as part of the design process. Line departments will use the system during construction and field changes and updates will be completed in a more timely fashion. Improved service and increased productivity are expected to generate $40 million in benefits over the next twenty years. The project was initiated in April 1989 and will be completed by March 1992 at a planned cost of $34 million.

B.C. Hydro is working with two private sector firms, Cantex (a joint venture between Westech and Ferguson Cartotech of Texas) and GTI/UGSL (a joint venture between Geo Technology International of Denver and Underhill Geographic Systems Limited of Vancouver) who are responsible for 90% of the conversion. To promote regional economic development, these firms have opened offices in Vernon and Kamloops and over 120 new jobs have been created.

The development of a digitized database for transmission facilities has also been proposed through the cooperative efforts of the System Development and Production groups. The database will provide information on transmission, land, maintenance and environmental features on new and in-service transmission lines. Development and implementation will cost approximately $17 million over five years.

Organizational Teamwork



A variety of changes to the organizational structure of the corporation are being made in an effort to offer the marketplace choices as to how they do business with a more efficient and service oriented B.C. Hydro.

Reorganization

Reorganization at B.C. Hydro began with the sale of the Gas and Rail divisions which were not part of the corporation's core business of generating and distributing electricity and the formation of the three Strategic Business Units which are responsible for the generation and distribution functions. The objective B.C. Hydro is working towards is to have these three organizational units operate as autonomous, profit-oriented business entities with overall policy and strategy setting done by a small corporate group. To accomplish this objective a number of functions must be decentralized from the Corporate Service Groups to the Strategic Business Units. In some cases the decentralized activities will be handled at the Strategic Business Unit level and in other cases they will be done by Key Business Units. For example, Customer Service has reorganized itself into nine regional Key Business Units, each having between 100,000 and 200,000 customers. At this size it is economically viable to decentralize many functions to the regional level.

Decentralization

The finance and administration functions that have been or are in the process of being decentralized include customer accounts, credit administration, accounts payable, payment processing, financial reporting, accounting for fixed assets and various purchasing activities. Human resources departments have also been set up in each Strategic Business Unit and some regional offices. Some of the specific benefits of decentralizing these activities are:

- Managers have greater control over their own business units which allows them to make the choices necessary to adapt quickly to changing business and customer requirements.
- B.C. Hydro's community presence in all parts of the province is increasing as activities are moved out of head office and into the regions.
- Employees in field offices have more career opportunities to choose from and the jobs are becoming more challenging and rewarding through the additional authority, responsibility and accountability.
- Customer responsiveness and service is improving.

Business Simplification

The reorganization of Customer Service combined with the decentralization of corporate functions has created an opportunity to implement simpler systems at the regional level.

This opportunity is being pursued in the Victoria region where a new customer billing system is being implemented on a pilot basis.

As decentralization progresses, concerns are being raised that some potential for duplication of effort and unproductive reporting requirements still remains. To address these concerns a pilot project involving the North Shore Region of Customer Service is being initiated. The project involves identification and implementation of ways to simplify how we do business. One of the major activities will be the development and implementation of simplified information systems in order to reduce the level of reporting and streamline administrative activities. The project is being coordinated by a team made up of the Business Services Manager for the North Shore Region, a business analyst from Finance and Administration and a systems analyst from Westech Information Systems.

Independent Business Units

Fiscal 1992 will see the emergence of a new organizational unit within B.C. Hydro. In a few unique situations, Independent Business Units will be formed out of what had previously been divisions which provided services to other parts of the corporation. An Independent Business Unit will be similar to a subsidiary in that it will be operated like an autonomous company, but there will be limited emphasis on earning revenue from external sources. The objective will be to increase the efficiency and effectiveness of these functions by having the value of their services judged against similar services that are available in the marketplace.

One of the first areas to test this business approach will be the Construction Division which provides construction, repair and maintenance services to the Strategic Business Units. As part of operating like a standalone company, Construction is implementing their own financial information systems. The team handling this implementation is composed of Construction Division managers from all regions of the province, staff from various corporate support areas, System Development Group financial management, an external computer systems consultant and several suppliers of hardware, software and related services.

Subsidiaries and Joint Ventures

Through subsidiaries and joint ventures, B.C. Hydro is offering a number of choices, both internal and external to the corporation:

- External customers can choose to use services, such as research and development through Powertech and data processing through Western Integrated Technologies, which were previously only available to departments within B.C. Hydro.
- Employees can choose to work on international business projects through B.C. Hydro International Limited and POWEREX and be closer to the competitive opportunities of the marketplace.
- Companies can choose to join forces with B.C. Hydro to pursue business ventures that may not otherwise have been available to them.
- Subject to certain requirements, B.C. Hydro managers can choose between internally and externally offered services in order to maximize the effectiveness of their own business units.

A number of particularly significant events will be happening in B.C. Hydro's subsidiaries over the next few years.

Sale of Westech

One of the initial objectives of establishing subsidiaries like Westech Information Systems was to allow what had previously been internal support functions in B.C. Hydro the opportunity to offer services in the marketplace. Based on Westech's success in providing computer system development expertise to external clients, B.C. Hydro has decided to take the next step in Westech's evolution to a market-driven organization and sell the operation to a private sector company. The effort to find a suitable purchaser is being guided by a steering committee made up of B.C. Hydro staff from Finance and Administration, Legal and Human Resources and representatives from Westech, Canadian Western Capital Limited (financial advice and interface with prospective buyers) and Stikeman Elliott (external legal counsel).

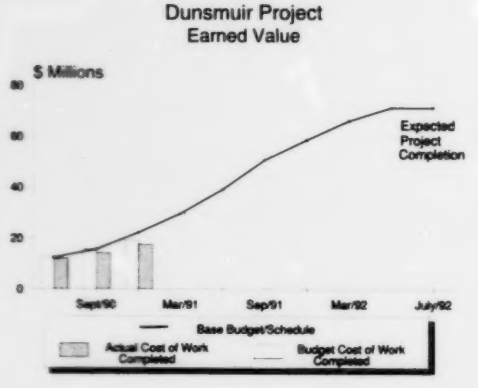
Dunsmuir and Edmonds

In 1989, B.C. Hydro sold its existing head office building in downtown Vancouver and announced that new corporate offices would be built in Vancouver and Burnaby. To provide the necessary focus to ensure these offices are completed by their aggressive 1992 target dates, the Dunsmuir Place Properties Limited and Edmonds Centre Developments Limited subsidiaries have been formed.

The downtown building at 333 Dunsmuir Street will be eighteen floors, have a net rentable area of 260,000 square feet and cost an estimated $82 million. The project team, which includes general contractor PCL Constructors Western Inc., 28 consultants from various architectural and engineering firms and staff assembled from B.C. Hydro's Properties, General Services, Construction, Power Smart and Environmental Resources divisions, are working toward a July 1992 occupancy date. At that time, it is expected that B.C. Hydro will need approximately 200,000 square feet of office space and the balance of 60,000 square feet will be available for other tenants.

Edmonds Centre Developments has assembled a twenty acre site adjacent to the Edmonds SkyTrain station in Burnaby. The site is being rezoned to allow for development of 1.6 million square feet of office space. Phase I of the development, which includes one high rise office building, three low rise office buildings and warehouse facilities for B.C. Hydro's use, will provide 500,000 square feet of office space at a projected cost of $142 million. The team responsible for this very large undertaking is working closely with Burnaby's planning and engineering departments to ensure the first stages of the project are complete in fiscal 1992.

Progress on both the Dunsmuir and Edmonds projects will be measured based on the criterion of earned value which provides a high level view of project costs and work completed in comparison to work budgeted and scheduled. Schedule variances are measured by the difference between the base budget/schedule and the budgeted cost of work completed. Cost variances are measured by the difference between the budgeted cost of work completed and the actual cost of work completed.



These two projects will inject over $200 million dollars into the British Columbia economy over the Plan years.

Power Smart Inc.

The initial success of the Power Smart program in British Columbia has attracted considerable attention from outside the province. In response to this interest, Power Smart Inc. has been established to develop a national energy efficiency focus with customers, governments, manufacturers, distributors, retailers and energy-related associations. With ten Canadian utilities having joined to date, Power Smart Inc. is an example of national teamwork. In addition to attracting more Canadian utilities, there is also the potential to expand internationally.

POWEREX

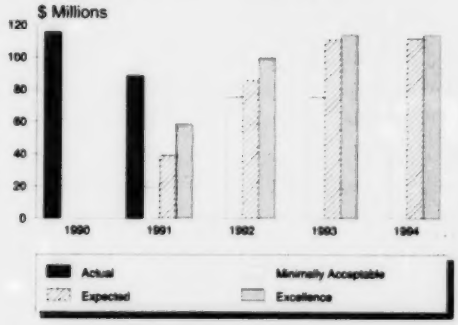
The mission of the British Columbia Power Exchange Corporation (POWEREX) is "to support British Columbia economic growth by facilitating the development of a private sector power industry for electricity trade". To accomplish this mission the market is being broken down into short-term and long-term opportunities.

The short-term market will be served by the POWEREX Pool Operation which will operate like a commodity exchange by utilizing B.C. Hydro's electric system and reservoirs to buy, sell, store, lend and transmit electricity.

The objectives of the POWEREX Pool Operation are to maximize the benefits to POWEREX, B.C. Hydro and British Columbia from short-term electricity exchanges, create an active short-term market, provide expanded access to all electricity trade customers and enhance the value of surplus energy from non-utility generators. In short, it will provide buyers and sellers of electricity with choices they have not had in the past.

To serve the long-term market, proposals have been requested and received from prospective Independent Power Producers. POWEREX will facilitate contracts between utility customers and these private sector generators by providing services such as storage, backup, market surveys and contract negotiations. Examples of this kind of teamwork are the Independent Power Producer projects which have been submitted by POWEREX in response to requests from the Sacramento Municipal Utilities District and Los Angeles District Water and Power. A key point to note is that Independent Power Producers have the choice of utilizing the services and expertise of POWEREX or pursuing market opportunities on their own.

POWEREX - Electricity Trade

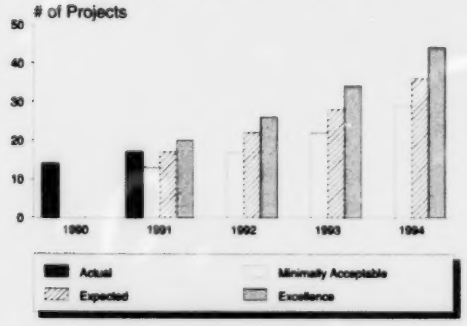


"Team B.C."

"Team B.C." is a name used to describe B.C. Hydro International Limited's (BCHIL) approach of joining forces with other British Columbia firms to pursue business opportunities outside the province. In this way, B.C. Hydro's engineering expertise is available to potential clients throughout the world and local companies can choose to compete for business they might otherwise have not been able to consider. An example of Team B.C. in action is the $4 to $5 million Pakistan Ice and Snow Hydrology Project which involves the development, design, procurement and installation of a hydrometeorological monitoring network for the Upper Indus Basin. The project employs satellite technology and is being carried out in conjunction with VIASAT of Vancouver.

BCHIL also teams up with companies from outside British Columbia. Calgary-based Monenco and BCHIL are providing planning assistance to the National Energy Policy Office of Thailand. B.C. Hydro staff are giving advice on Power Smart, operations and maintenance, resource planning and independent power production as part of this assignment.

BCHIL Projects Outside of B.C.



Joint Ventures

In addition to joint ventures being carried out by existing subsidiaries like BCHIL, other major opportunities are being evaluated.

B.C. Hydro's Surrey Electric Shop is a service and repair operation for electrical apparatus such as high voltage transformers. There are a limited number of facilities in North America that are capable of doing this kind of work and none of a similar size and capability in the Pacific Northwest. Furthermore, the Surrey Electric Shop is underutilized. This combination represents a business opportunity which B.C. Hydro intends to pursue with the help of a joint venture partner. The search for this partner is being conducted by a team made up of staff from the Surrey Electric Shop, Production, Human Resources, Legal, Management Services and the mergers and acquisitions department of investment dealer Burns Fry Limited. A deal is expected to be finalized early in fiscal 1992 which will result in the formation of a new company which will be at least 50% owned by B.C. Hydro.

Purchasing of Services

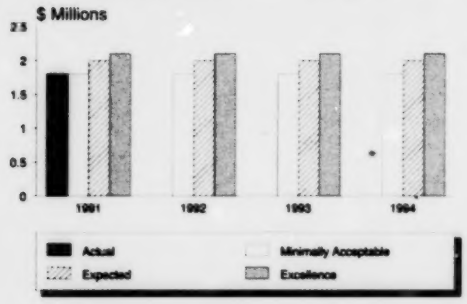
Other parts of the marketplace which are being given new business choices are the companies and individuals that provide goods and services to B.C. Hydro. This is happening as a result of B.C. Hydro's core staffing policy and Purchasing in British Columbia initiative.

B.C. Hydro's core staffing arrangement provides for the establishment of base staffing levels and the utilization of temporary and purchased services to meet fluctuations in workload.

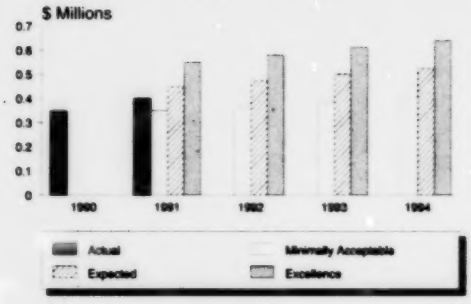
There are different aspects to B.C. Hydro's Purchasing in British Columbia initiative including programs to encourage local investment by corporations based outside the province, purchase goods and services in all regions and identify opportunities for local companies to produce products that previously had been imported. Some examples of the success B.C. Hydro's Supplier Development department is having in generating net new business include:

- Kamloops-based Keen Sewing has signed an initial two year contract worth $250,000 to supply B.C. Hydro with fire-retardant clothing.
- A two year agreement has been made with Pacific Levatation Systems of North Vancouver for $320,000 worth of underground multi-connectors. These connectors are now a 100% "Made in B.C." product with the aluminum bodies cast by a Vancouver foundry, vinyl dipping by a local plastics company and fastening parts made in a Burnaby plant. Pacific Levatation will handle the machining, assembly and packaging.
- Lovell Lighting Ltd. of Winnipeg is setting up a British Columbia subsidiary, A.R.L. Lighting Ltd. in Surrey, to convert municipal lights from mercury vapour to high pressure sodium.

Added B.C. Business due to Supplier Development Activities

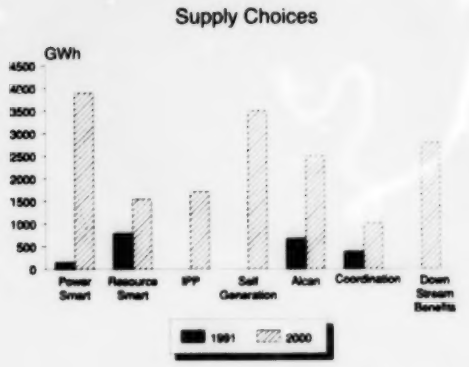


Local and Regional Supplier Participation

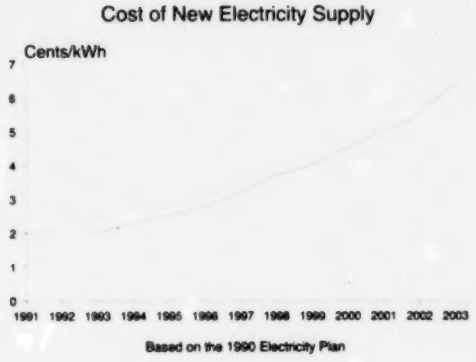


Supply Teamwork

B.C. Hydro has adopted a balanced development strategy which is providing a variety of supply sources to choose from. The choices identified to date include Self-generation, Power Smart, Resource Smart, Independent Power Producers, puchases from Alcan, Downstream Benefits and Coordination. Over the remainder of the 1990s these programs will increase in relative importance.



the average cost of obtaining additional electricity from existing and planned sources of supply. Alternative supply sources are considered if their unit cost is below the cost of new electricity supply.



Having choices like these means that the growing demand for electricity can be satisfied in a cost effective manner. One method which is used to assess cost effectiveness is to compare the unit cost of energy from a project against the cost of new electricity supply which represents

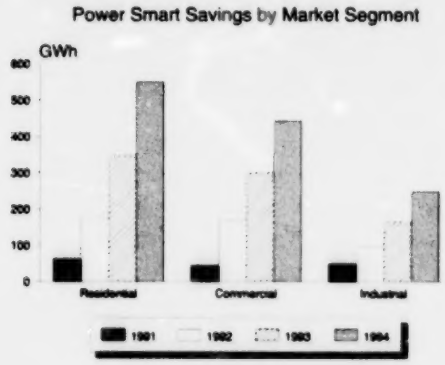
The degree to which each of the various supply choices is successfully implemented is dependent on the extent to which B.C. Hydro is able to team up with its customers, private sector organizations, other utilities and the provincial government.

Power Smart

One of B.C. Hydro's corporate objectives is "to be the most efficient utility in North America". Power Smart has a similar objective which is to have our customers be the most efficient users of electricity. This is not being accomplished by telling consumers that they cannot or should not use electricity. It is being done through a number of programs designed to show our

customers that they have choices between inefficient and efficient products and methods of consumption.

There are Power Smart programs designed to increase energy efficiency in each of the Residential, Commercial and Industrial market segments. Over the next three fiscal years, all three markets are expected to see significant increases in the amount of electricity saved.



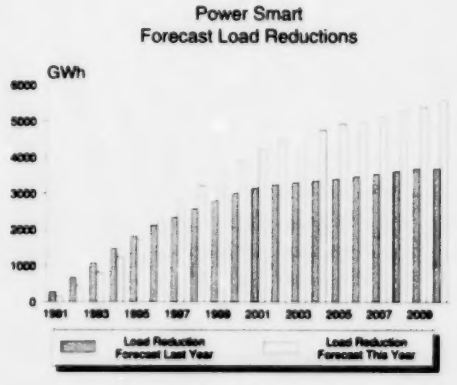
The list of examples of Power Smart teamwork is extensive. The overall initiative is directed by a project team made up of five B.C. Hydro managers. All Power Smart programs are developed and implemented by teams which may include B.C. Hydro employees, external consultants, staff from other utilities and trade allies such as the Canadian Home Builders Association of B.C.

B.C. Hydro is teaming up with manufacturers like Sylvania, Philips and General Electric and retailers including Canadian Tire, Lumberland, Home Hardware, Beaver Lumber, Thunderbird and Sears to make energy efficient products more available to consumers. A joint promotion with B.C. Gas is aimed at converting water heaters from electricity to gas. Energy audits of commercial buildings, including all of B.C. Hydro's facilities, are conducted in conjunction with the B.C. Building Corporation. With B.C. Hydro providing technical assistance and financial support in the form of rebates, Highland Valley Copper has undertaken a major program to install high efficiency motors and is evaluating other energy saving options for their lighting and pumping systems. These are only a few of the ways that teamwork is being used to offer choices in electricity consumption.

In December 1988, only 15% of British Columbians were aware of Power Smart. By November 1990, the recognition level was up to an exceptionally high 88% with people in the northern part of the province being the most aware at 92%. This is proof that Power Smart is a program that is impacting all regions of British Columbia.

To advance the cause of electricity conservation in British Columbia, B.C. Hydro is initiating a major study which is known as the 1991 Conservation Potential Review . The objective of the study will be to define the technological, social, economic and achievable potential for electricity conservation in the province. It will be conducted by a team comprised of representatives for industrial, commercial and residential customers, environmental groups, local governments, native peoples, West Kootenay Power and B.C. Hydro.

Based on the favourable reaction of the marketplace to Power Smart, B.C. Hydro's investment in the initiative is being expanded from $334 million to $600 million over the 22 year life of the program. In return for this increased spending, the anticipated energy savings by customers are forecast to improve from 3,000 GWh per annum to approximately 3,900 GWh per annum by the end of this decade. By 2010, the annual savings are expected to increase from 3,680 GWh to over 5,600 GWh.



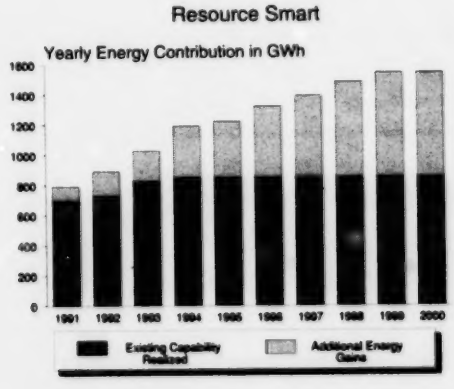
Resource Smart

There are over forty dams and approximately 17,000 kilometres of transmission lines in B.C. Hydro's integrated system and these facilities are not currently being used to their maximum potential. The mandate of the Resource Smart program is to realize as much of this potential as is economically and environmentally feasible. The benefits of doing this include relatively short lead and implementation times, small energy increments that can be closely matched to load growth, costs which are less than alternative supply choices, minimal environmental impact, low capital investment in many cases and enhanced local economic development.

Resource Smart projects are excellent examples of how teamwork is used in B.C. Hydro. The detailed feasibility study currently in progress on the Barnes Creek Diversion Project is being carried out by a team of people from a number of divisions including Environmental Resources (environmental impact), Hydroelectric Engineering (engineering), Properties (land related matters), External Relations (public consultation), Production (ongoing operations and maintenance) and Project Management (overall management of the project). In addition, a number of provincial government ministries will review the project and external consultants have been retained to assess the socio-economic impact. The anticipated end result will be a $13 million tunnel or pipeline which will divert water from Barnes Creek into Whatshan Lake and increase annual generation by as much as 50 GWh.

Another example which will require a major team effort over the next four to five years is the project to upgrade turbines at the Kootenay Canal Generating Station. The upgrades, which could cost as much as $37 million and add up to 110 GWh per year to the system, will require the combined efforts of Project Management, Hydroelectric Engineering, Production and an external supplier to build and test a model of the project.

At the end of fiscal 1991, the cumulative energy gain from the Resource Smart program is projected to be 790 GWh per annum. Over the three year period covered by this Business Plan, that total could increase to almost 1,190 GWh and by the turn of the century reach 1,540 GWh. A significant portion of Resource Smart gains will be realized as a result of improvements in the current operation of the system which are already accounted for in the existing base system capability.



Independent Power Producers

The decade of the 90s will see the private sector take on an expanded role in generating electricity in British Columbia. One of the ways in which this will come about is by B.C. Hydro joining forces with a number of companies through the Independent Power Producer initiative. Under this program, privately owned facilities will generate electricity and sell it to B.C. Hydro. The benefits of this team approach include increased regional economic development, having a variety of cost effective supply options to choose from and resolving environmental issues through the use of waste products for fuel.

To efficiently pursue these opportunities, B.C. Hydro has divided the "market" into projects over five megawatts and those under five megawatts. Examples of the smaller projects which are expected to be operational over the next three years are:

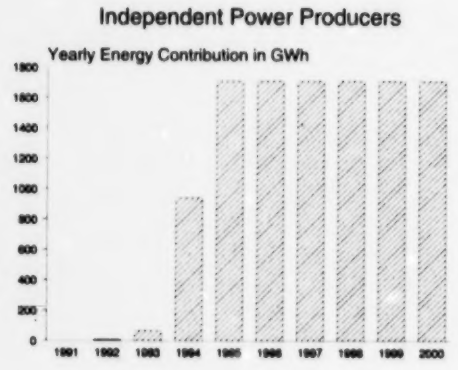
- A $7 million plant built by Scuzzy Creek Hydro & Power Inc. near Boston Bar which will generate almost 17 GWh of electricity per year.
- Summit Power Corporation's $4.6 million hydroelectric project at Port Alberni which will provide 19 GWh each year.

Over the past two years, B.C. Hydro has evaluated over twenty major proposals from prospective Independent Power Producers. As a result of this evaluation, three projects are being pursued:

- Northern Utilities Inc.'s $68 million hydroelectric project on the Mamquam River near Squamish is forecast to be capable of generating 250 GWh annually.
- NW Energy Corp will build a $150 million woodwaste fuelled facility in Williams Lake which will contribute approximately 445 GWh each year.
- A gas turbine, cogeneration project worth $105 million and providing over 800 GWh per annum will be undertaken in Taylor (near Fort St. John) by Westcoast Energy Inc. and Canadian Utilities.

The review and selection of these projects is a real team effort involving people from a variety of B.C. Hydro functions including Finance (evaluation of financial attractiveness), Resource Planning (assessment of economic and technical factors), System Development (review of implications of connecting to our transmission system), Legal (contract wording), Operations (determination of the day-to-day operational impact on the system) and Power Contracts (administration and negotiation). In addition, external consultants are used to assist with the financial evaluation and various provincial government ministries review the environmental impacts of the projects.

The annual contribution from Independent Power Producers is forecast to reach 940 GWh by 1994 and over 1,700 GWh by the year 2000.



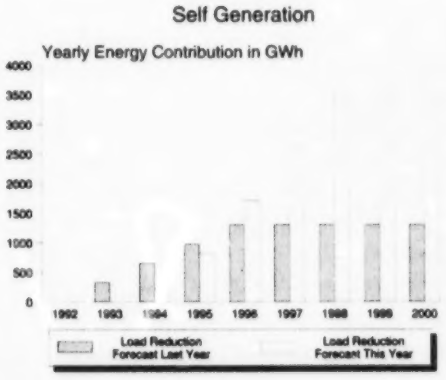
Self-Generation

Self-generation is the other major initiative designed to increase the amount of electricity generated by the private sector. Unlike Independent Power Producers who are producing power for sale to B.C. Hydro or other consumers, self-generators are producing electricity for their own use so they don't have to buy it from B.C. Hydro. The corporation is teaming up with some large customers to investigate self-generation opportunities because they represent a possible means to defer large, more costly hydroelectric projects. The customers are interested because they can reduce their electricity bills and, in some cases, realize revenue by selling surplus power to B.C. Hydro.

One such interested customer is the Vancouver General Hospital which has concluded an agreement in principle with B.C. Hydro for the development of an $11 million natural gas fuelled facility that will generate approximately 110 GWh per year starting in 1993. Under the agreement, B.C. Hydro will be purchasing the electricity that is surplus to Vancouver General's own requirements. Initially the surplus will be approximately half the 110 GWh and decline over time as the Hospital's needs increase.

Another area where there is considerable interest in self-generation is in the forest industry. Discussions are in progress with companies in many parts of the province including Kamloops, Prince Rupert and Vancouver Island. An environmental benefit will also be realized if these projects proceed because the fuel that will be used is wood waste which is now being buried or incinerated in beehive burners.

Based on expressions of interest from companies in British Columbia, B.C. Hydro initially forecast the annual energy contribution from self-generation to be 1,300 GWh by the year 2000. Based on work with the interested companies over the past year, the forecast has been increased to 3,500 GWh. The first of these projects are estimated to come on-line and contribute 225 GWh in fiscal 1994.



Other Supply Choices

Coordination

Coordination occurs when interconnected utilities agree to operate their systems in a mutually beneficial manner. For example, the timing and amount of water released from the Mica Dam will impact generation at dams downstream on the Columbia River. B.C. Hydro and Bonneville Power Administration in the northwestern United States have been coordinating operations for many years and an agreement was recently signed which will expand these efforts and extend them to 2011. The result of this teamwork is 750 GWh of firm energy for British Columbia each year.

Discussions are in progress between B.C. Hydro and TransAlta Utilities in an effort to identify operating efficiencies between British Columbia's predominantly hydro-based system and Alberta's system which is primarily thermal.

Alcan

Alcan owns the Kemano generating station which it uses to produce electricity to meet its own industrial needs. Alcan is expanding Kemano and recently entered into a twenty year agreement to sell B.C. Hydro 2,500 GWh of power a year beginning in fiscal 1994. In addition, coordinated operation of Alcan and B.C. Hydro reservoirs is expected to provide another 270 GWh per year to B.C. Hydro's system. By working together, both organizations will realize substantial benefits.

Downstream Benefits

Under the terms of the Columbia River Treaty, Canada is entitled to half the additional electricity generated at downstream plants in the United States as a result of water stored behind the Duncan, Keenleyside and Mica dams. In the 1960s Canada sold the rights to this power to a group of American utilities for a thirty year period. When this sales agreement starts to expire in 1998, the energy reverts to British Columbia and the provincial government has announced that it intends to repatriate this electricity. At present, no decision has been made regarding how the downstream benefits, estimated to be almost 2,800 GWh in the year 2000, will be utilized.

Wheeling Policy

In some circumstances, when private sector companies generate electricity they will be able to choose between selling it to B.C. Hydro or selling it directly to the ultimate consumer. In the latter case, B.C. Hydro's transmission system will probably still be required to get the power to the consumer. The practice of using B.C. Hydro's system to transmit electricity that we do not generate or purchase is referred to as wheeling.

Since B.C. Hydro's role as a "wheeler" will increase in importance as private sector generation expands, new domestic and exchange wheeling policies have been developed which will facilitate the distribution of electricity both within and outside British Columbia.

The first contract under the new domestic wheeling policy, which B.C. Hydro expects to have in effect early in fiscal 1992, involves a resource company that wants to use its existing electricity generation facilities to supply power to another company of which it is part owner. An agreement in principle exists where B.C. Hydro's system will be used to transmit the electricity and to provide supplementary power to meet short-term supply deficits.

Burrard Thermal

The one major generating facility in B.C. Hydro's integrated system that is not hydro-based is the natural gas fired Burrard Thermal Generating Plant which is capable of producing over 5,000 GWh of electricity annually. For many years, Burrard Thermal has been operated primarily on a standby basis to provide emergency backup generation, generation during low reservoir periods and synchronous condenser operation (a process which increases the efficiency of the electric system by providing power to stabilize voltage). In recent years, as the demand for electricity has approached the system's available supply, Burrard has started to play a more active role in meeting generation requirements. To determine the role Burrard Thermal should play in the future, a project team has been formed to conduct the Burrard Utilization Study. In the first phase of the study a range of options and the actions necessary to attain them will be established. This will include evaluation of issues related to operations, maintenance, natural gas availability and the environment. The second phase will involve a major public consultation program concluding with a recommended utilization plan.

Transmission Corridors

Over 75% of the projected increase in provincial electricity consumption over the next ten to twenty years is expected to occur in the Lower Mainland and on Vancouver Island. Existing and planned generation facilities are distant from both centres of high electricity consumption. If the imbalance between consumption and supply sources continues, more transmission lines will be required from the interior of the province to serve the Lower Mainland.

Future availability of transmission corridors into the Lower Mainland is a major issue for B.C. Hydro. Factors influencing increased use of existing corridors and the development of new ones include land use restrictions, impacts on the environment, joint use of rights-of-way and public concerns about electromagnetic fields.

Flexibility in planning transmission corridors into and within the Lower Mainland is a key response to the uncertainty created by changes in electricity supply and demand and increasingly competitive land use alternatives.

Public consultation will be the focus of the newly formed Lower Mainland Electricity Futures Program which addresses energy supply and delivery options for a range of growth scenarios. Decisions on energy consumption and supply alternatives for the Lower Mainland will be shared with local and regional government and the public. If strategies supporting growth in electricity consumption are supported then municipal and regional decision makers and the public will also need to decide on appropriate transmission corridors.

A Rights-of-Way Issues Program is being proposed to provide a coordinated and integrated approach to the management of all transmission rights-of-way issues. A project team of B.C. Hydro staff with extensive experience in rights-of-way management will work to:

- Increase awareness of and compliance with existing policies and government legislation by B.C. Hydro employees, contractors and specific interest groups.
- Resolve rights-of-way issues in a manner that is sensitive to public opinion and builds goodwill with affected interest groups.
- Provide a systematic way of evaluating cost/benefit trade-offs in rights-of-way management situations.

B.C. HYDRO INTEGRATED SYSTEM
TRANSMISSION ADDITIONS
TO YEAR 2000

Environmental Teamwork

In October 1990, the Corporate Management Committee established a new corporate objective "to minimize the impact of our activities on the natural environment." Over fifty programs and initiatives which address this objective are currently underway throughout the corporation. To be successful, these initiatives require the coordination of teams of environmental experts from the Environmental Resources Division working with staff and consultants across the corporation. Specific programs such as vegetation management and joint-use of transmission rights-of-way also involve coordination and cooperation with government agencies and the public. In fact, public input is sought on all environmental initiatives.

B.C. Hydro's efforts in preventing and minimizing environmental impacts are an important part of responsible resource management and corporate leadership. Environmental initiatives such as encouraging biological control of vegetation under powerlines actually reduce the cost of doing business. Other initiatives such as reducing atmospheric emissions at the Burrard Thermal Generating Plant and removing polychlorinated biphenyls (PCBs) from transformer oil help to avoid costly cleanups, mitigation and penalties in the future.

In addition to the initiatives mentioned above, teams will be dealing with a variety of issues including electromagnetic fields, vehicle emissions, underground fuel storage tanks, recycling of paper, metal and oil, wood preservatives, reservoir clearing, recreational facilities and fish and wildlife programs.

Electromagnetic Fields

B.C. Hydro has recognized the widespread public interest in the potential health effects of electromagnetic fields and has responded by:

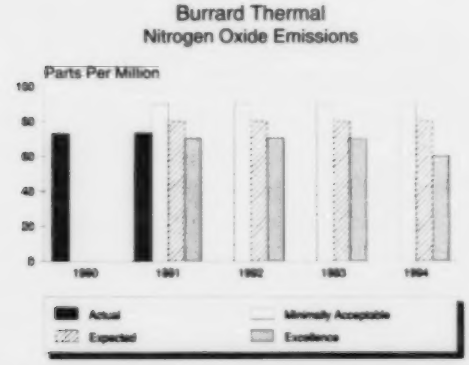
- Appointing a full-time project manager to coordinate research and corporate policy.
- Retaining experts to assist in evaluating research and providing policy advice.
- Evaluating public and employee exposure to electromagnetic fields.
- Providing financial support for research into health effects.
- Participating in public consultation forums on alternative routes for new transmission lines.

Total expenditures on research and evaluation on this issue will be approximately $300,000 in fiscal 1992 and will total $1.5 million over the next five years. Powertech will be involved in several research projects which will measure and describe electromagnetic fields in public and work places, investigate electric shocks from induction and assess public education practices used by other utilities. B.C. Hydro is teaming up with external organizations including the B.C. Cancer Research Centre, Electric Power Research Institute, Ontario Hydro, Canadian Electrical Association and the University of California to conduct EMF research.

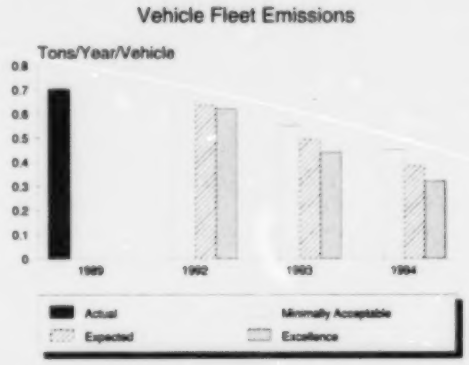
Waste Management

A comprehensive waste management strategy is currently under development and will be implemented in fiscal 1993. A multi-disciplinary team of people is working to produce a strategy to reduce wastes by 30% between 1991 and 1995. The strategy will provide a corporate framework for coordination of waste management and will focus on reducing the quantities of waste material created and energy consumed, recycling waste materials and energy, reusing materials in their original form and recovering energy and materials from mixed solid waste.

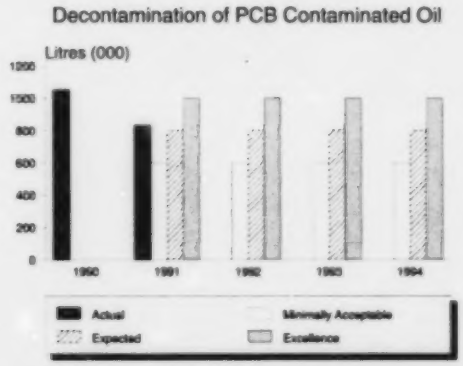
Burrard Thermal is already one of the cleanest thermal generating stations in North America with nitrogen oxide emissions from the combustion of natural gas between seventy and eighty parts per million. At present, government regulations require that emissions do not exceed ninety parts per million. Over the next five years, B.C. Hydro will investigate alternative emission control technologies including flue gas recirculation which may further reduce nitrogen oxide emissions to sixty parts per million.



A five year plan has been launched by the Vehicle Services Division, in partnership with Powertech Labs, to reduce exhaust emissions from the 670 vehicles operated in the Lower Mainland by 70% relative to 1989 levels. Vehicle emissions are being reduced by replacing older vehicles and by establishing emission control, testing and maintenance procedures. Alternative fuels including natural gas, propane and electricity are being investigated and an electric van has been ordered for demonstration purposes.



B.C. Hydro is playing a leading role in British Columbia in testing and decontaminating or replacing equipment containing PCBs. A comprehensive strategy addressing the phasing out of the remaining equipment containing PCBs, treatment of contaminated transformer oil, cleanup of contaminated properties, transportation and storage, spill contingency plans and alternatives for destroying PCBs is expected to be complete by October 1991.



To January 1991, approximately 3.5 million litres of transformer oil containing trace amounts of PCBs have been decontaminated and returned to service. The decontamination of transformer oil, which will continue over the Plan period, is carried out by the Surrey Electric

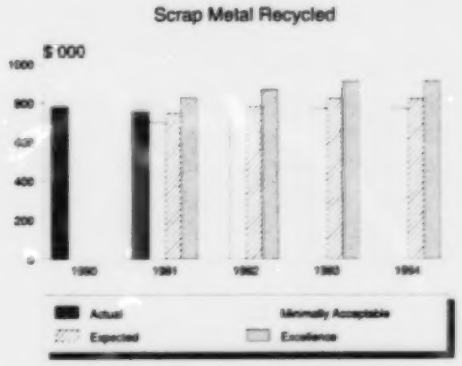
Shop working in cooperation with Production and Customer Service staff around the province. In addition, decontamination services are being provided to other companies in British Columbia which now account for 10% of the oil processed.

B.C. Hydro has approximately 1.5 million kilograms and 300,000 litres of PCB contaminated wastes in safe storage. All waste storage facilities conform to stringent provincial government standards. These wastes will be destroyed when proper destruction facilities are available in the province.

Plans are being put in place to replace or upgrade underground fuel storage tanks which are greater than 25 years old. The corporation has 152 underground tanks of which 56 are more than twenty years old. Preliminary efforts will focus on testing of older tanks and selective removal to assess tank conditions. Expenditures of $212,000 are planned for fiscal 1992. A proactive program of underground fuel storage tank testing and maintenance will increase the likelihood of avoiding environmental damage and cleanup costs from tank leakage in the future.

Significant gains have been made in recycling paper, scrap metal and lubricating oil. The corporate waste paper recycling program is a team effort involving 81 coordinators throughout the province. Recycling cardboard, office and computer paper has become a routine practice at all offices with five employees or more. Approximately twelve tons of waste paper are diverted from landfills each month through recycling. Actions are also being implemented to reduce paper use and increase purchases of recycled paper. The printing plant is currently converting over fifty tons of paper products and forms used each year to recycled stock. An additional 150 tons of paper used annually in photocopiers will also be converted to recycled paper.

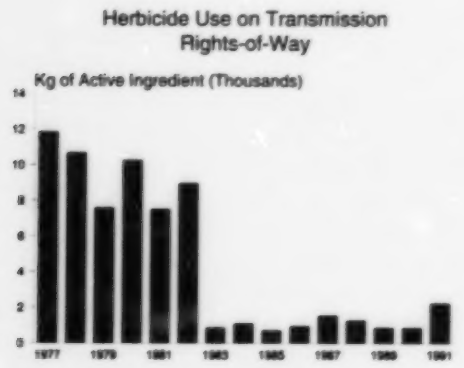
In fiscal 1991, over $700,000 in copper and aluminum scrap was recycled. Similar amounts are expected to be recycled in each of the next three years. In addition, waste lubricating oil is recycled and repurchased for use in corporate vehicles. The vehicle fleet operates on 100% recycled lubricating oil and the use of recycled oil in remote diesel generating stations is also under investigation.



Natural and Social Resources Management

Together with provincial government ministries, communities and the public, B.C. Hydro staff are engaged in extensive programs to protect and enhance the natural resources of British Columbia.

B.C. Hydro uses herbicides selectively to control unwanted vegetation on powerline rights-of-way, in electrical and industrial facilities and at dam sites. Herbicide use has been significantly reduced since 1983 to the point that corporate utilization of herbicides accounts for less than 1% of total industrial consumption and approximately 0.4% of total permitted herbicide use in British Columbia.



B.C. Hydro recently introduced a new vegetation management strategy which uses a combination of physical, chemical and biological techniques to reduce electricity outages caused by trees and to maintain powerline access ways. Expanding use of biological vegetation management techniques will enable B.C. Hydro to continue to reduce herbicide use during the 1990s.

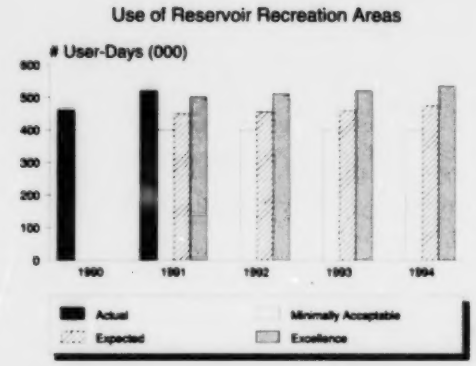
Physical control involves the removal of unwanted plants and trees through manual and mechanical cutting. Chemical control involves the highly selective application of herbicides directly on specific plants and trees. Broadcast and aerial spraying of powerlines has not been used by B.C. Hydro in over a decade. Generally, less than 10% of application levels allowed by provincial permits are applied on transmission rights-of-way.

Biological control involves the enhancement of dense, low growing plants to discourage the growth of taller plants and trees that are likely to come into contact with powerlines. Limited herbicide application is sometimes necessary under this approach to control unwanted vegetation while low growing species become established.

Wood preservative pesticides are used for the maintenance of utility poles to prevent and control decay, fungi and wood destroying insects. Use of these chemicals extends the service life of poles from as low as ten years up to thirty years or more. Due to increasing concern over the leaching of wood preservatives into the surrounding environment, B.C. Hydro is discontinuing the use of pentachlorophenol. In addition, the corporation is reviewing the use of other preservatives for new poles, examining alternatives to wood poles and reviewing treatment specifications for existing poles.

B.C. Hydro is committed to removing wood debris from reservoirs to promote environmental protection and increase the recreational value of reservoirs. In some reservoirs, stumps and dead trees remain from initial clearing and filling. Other reservoirs have been largely cleaned up but still require removal of debris flushed in by spring run-off and autumn storms.

The cost of reservoir debris clearing is approximately $2 million per year. An estimated $53 million will be required for debris clearing over the next 15 years. Each summer a team is active at Williston Lake which is the focus of a major debris clearing effort. In other areas of the province teams from Production and Environmental Resources are working to remove wood debris from areas with high recreational use including Ruskin, Stave, Hayward and Kinbasket reservoirs.



Tourism and recreational facilities are continually being upgraded at B.C. Hydro's reservoirs. In fiscal 1991 over 500,000 people used B.C. Hydro's fourteen recreation areas. A total of $1.5 million has been committed for enhancement and management of recreation facilities in fiscal 1992. Enhancement projects include the development of boat launching ramps, picnic areas and camp-sites. A further $99,400 has been allocated for new recreational initiatives to encourage multiple use of reservoirs and transmission rights-of-way. Negotiations are being pursued with municipal governments, private firms and individuals interested in administering recreational sites.

Secondary uses of transmission rights-of-way are actively encouraged by B.C. Hydro. Examples include farm crops, grazing, tree nurseries, and Christmas tree farms. The corporation is prepared to work with companies and individuals to prepare rights-of-way so that secondary uses are viable.

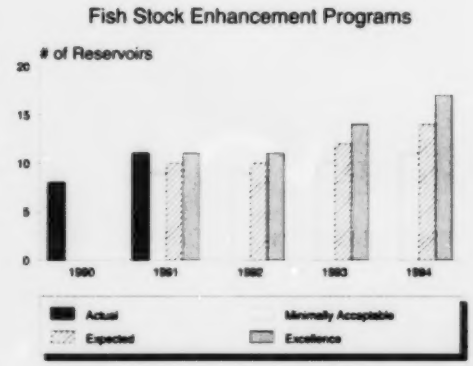
B.C. Hydro is taking an increasingly active role in fish and wildlife conservation and development through compensation programs for selected reservoirs. Key activities include greater coordination with government ministries and increased public consultation.

A compensation program has been launched for Williston Lake involving the establishment of a trust fund from which annual payments will be made to enhance fish and wildlife resources. The fish enhancement program budget for fiscal 1992 is approximately $350,000 with an additional $350,000 committed to wildlife programs. The delivery of compensation programs will be a team effort involving B.C. Hydro and the provincial Ministries of Environment and Fish and Wildlife.

Other compensation programs include:

- Payment of $1 million in fiscal 1992 to the Ingenika Indian Band.
- The establishment of a second trust fund for fisheries and wildlife programs at the Mica and Kinbasket reservoirs on the Columbia River.
- A trust fund for fish habitat work at the Peace Canyon reservoir.
- Ongoing operation of the Hill Creek fish spawning channel and hatchery to mitigate construction of the Revelstoke Dam.
- Recreation, wildlife and fisheries projects totalling $250,000 have been proposed to offset the impacts of raising the Seven Mile Dam reservoir.
- Facilities to divert salmon migrating downstream away from turbine intakes at the Puntledge Dam on Vancouver Island have been budgeted at $1.5 million for fiscal 1992.

Fisheries enhancement projects are an important initiative. B.C. Hydro is currently running eleven enhancement projects including fish spawning channels, reservoir fertilization and habitat improvement. The long-term goal is to have at least one project on each of the thirty reservoirs currently in operation.



Corporate Environmental Audit

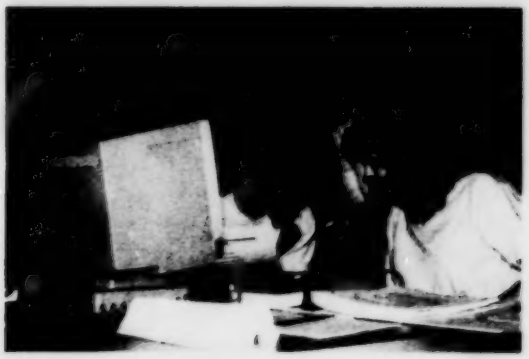
An important example of teamwork is the development of an environmental audit program at B.C. Hydro. The program is being launched through the joint efforts of the Director of Environment and selected consultants. The purpose of environmental audits is to demonstrate corporate "due diligence" through compliance with environmental regulations and appropriate management of public health and safety risks. The first audit will be carried out in the upcoming year and will involve a review of PCB handling and storage throughout the corporation. Expenditures on the audit are forecast to total $150,000 in 1992 and an additional $150,000 in 1993.

Beginning in fiscal 1992, environmental reviews of existing generating facilities and equipment will be conducted. The reviews will address the environmental risks associated with normal operating practices. For example, the potential for oil spills from substation transformers and capacitors will be assessed.

An annual report on the environment will be produced starting in 1991. The document will report on all corporate environmental activities for the previous year. The purpose of the report is to summarize corporate progress and results in contributing to environmental quality in British Columbia.

In keeping with a commitment to greater public involvement and scrutiny, B.C. Hydro has initiated the use of environmental Boards of Review. The first Board of Review consisted of two independent consultants who reviewed and evaluated B.C. Hydro's studies on the environmental impacts of a proposed transmission line between the Kitimat and Skeena substations in northwest British Columbia. Boards of Review will be used in the future to independently review, document and evaluate B.C. Hydro's environmental impact studies submitted as part of the major project approval process.

Financial Teamwork



Offering and having choices is contributing to the ongoing improvement in B.C. Hydro's financial flexibility. In turn, improving the financial position of the corporation will enable us to offer and pursue more choices. For these reasons, B.C. Hydro is proactively managing its liabilities, optimizing the use of its assets, investing in productivity through the use of information technology and pursuing electricity rates which are smooth, predictable and fair.

Liability Management

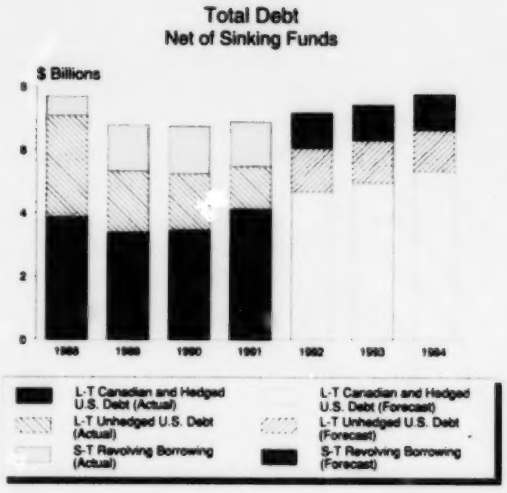
B.C. Hydro's Treasury Division is taking a more active role in managing the corporation's financing strategy and in analyzing and executing debt and investment transactions. A short-term liability management program, U.S. dollar hedging activity, active investment management, and the use of new derivative financial products are all part of a new, risk management approach to reducing B.C. Hydro's finance charges.

Traditionally, B.C. Hydro has relied almost exclusively on long-term debt, matching the term of the corporation's borrowing to the economic life of our assets. It has recently been determined that a more appropriate strategy is to match the variability of debt servicing costs to the variability of revenues. In light of the relationship between interest rates and revenues, B.C. Hydro's short-term liability management strategy is to have between 15% and 30% of its liabilities in short-term debt. This provides a level of financing flexibility that will enable Treasury to reduce debt servicing costs in the long-term.

At present, approximately 32% of B.C. Hydro's debt is denominated in U.S. dollars. This could represent a significant financial exposure should depreciation of the Canadian dollar take place. To manage this exposure, financing transactions including sinking fund payments, defeasance and currency swaps are being used to hedge the U.S. dollar debt. These types of transactions set aside money to repay debt in advance of the maturity date or guarantee a specific rate of exchange on both the interest and principal over the hedged period. As a result of these transactions, B.C. Hydro now has minimal risk from a depreciation in the value of the Candian dollar.

The currency swap referred to above is an agreement between a bank and its client wherein the two parties lock in the currency rate. This contract is an example of what is known as a derivative financial product. There are a variety of these products available and new ones are being introduced to the marketplace. B.C. Hydro will team up with the Ministry of Finance and financial institutions to utilize these products whenever there is an opportunity to reduce the cost or risk associated with the corporation's liabilities.

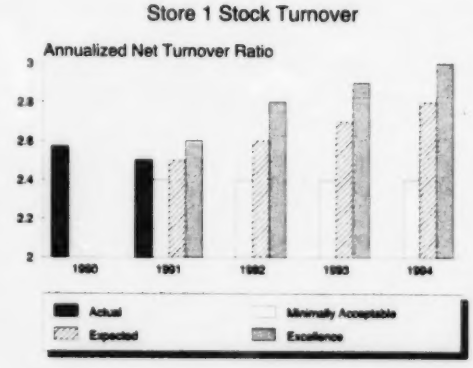
An objective that will receive considerable attention over the three year plan period is the improvement of our cash flow forecasting. Improved forecasting will enable B.C. Hydro to take a more informed approach to optimizing the corporation's long-term debt position. Another area where investment management opportunities will receive more focus is in B.C. Hydro's pension fund. Approval was recently given to shift the fund to a more diversified mix of equity and fixed income investments. The team responsible for managing the fund is composed of staff from B.C. Hydro's Treasury Division, the Ministry of Finance and external investment advisors.



Asset Management

Optimizing the use of B.C. Hydro's assets often requires the balancing of conflicting objectives such as increasing service levels or maximizing operational flexibility versus reducing carrying costs. Examples of this can be seen in materials inventories and property sales.

B.C. Hydro maintains inventories of parts and materials to support its repair, maintenance and project activities. In the case of major transmission and stations projects, because of long lead times, some materials must be ordered before the design is complete. This can result in materials surpluses when the projects are complete. Wherever possible, the surplus materials are used in other areas such as maintenance work and smaller projects with short completion deadlines. In addition, a number of functional areas in the corporation are working together to find ways of reducing inventory levels and increasing inventory turnover without sacrificing B.C. Hydro's ability to provide a high level of service. For example, the Purchasing and Supply Division, in conjunction with affected areas such as Stations Engineering, are negotiating with suppliers to establish cooperative purchasing contracts. Under this type of contract B.C. Hydro commits to purchase base quantities from the supplier who in turn must commit to maintaining adequate inventory levels and reducing order lead times.

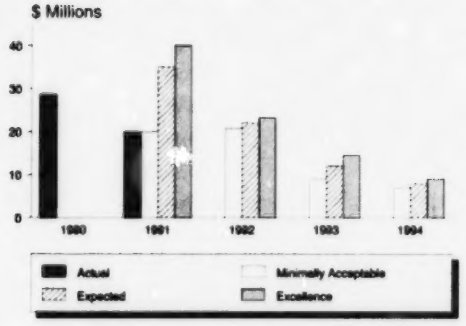


B.C. Hydro is continuing to return surplus land and buildings to the market for economic redevelopment. The tradeoff to be considered here is whether property that is unused today will be needed sometime in the future. The Properties Division works closely with Customer Service and Production to compare the inventory of properties against projected future requirements. Over the three year period covered by this Plan, B.C. Hydro expects to divest itself of properties worth $45 million. This includes $18 million of sales deferred from fiscal 1991. In addition, the corporation expects to realize $1.5 million in annual lease revenues from underutilized properties that are being held for future use.

Accounts receivable is another B.C. Hydro asset that receives considerable attention as ongoing efforts are made to further reduce our bad debt expense. Since the mid-1980s, our bad debt expense as a percentage of billed sales has been reduced significantly.

Over the next three years, use of the Advance Billing Plan will expand as new commercial customers are added and existing commercial and residential users choose to go on Advance Billing. Under this plan customers can avoid security deposits and take advantage of discounts when they pay at the start rather than the end of each billing period. With proactive management of our credit policies and practices and marketing of Advance Billing, B.C. Hydro expects to continue to minimize losses from bad debt. Each .01% decrease equates to approximately a $120,000 increase in net income based on the forecast level of residential and commercial revenue in fiscal 1992.

Surplus Property Sales



Bad Debt Expense

Information Technology

Information technology is a key catalyst to offering employees choices as to how they get the job done and thereby improving productivity at B.C. Hydro. This is particularly true in light of the corporate reorganization and decentralization activities. As the decision-making process migrates to the Strategic Business Units, their information requirements adopt a different focus from the traditional corporate ones. At the same time, the information needs of the corporation must still be satisfied.

To address this issue a project was initiated to identify and develop a strategic office systems architecture for B.C. Hydro. A multi-disciplinary project team developed the strategy which includes identification of functional requirements for all forms of corporate information exchange, including voice, text, facsimile and image.

This strategy will enable the corporation to better determine the potential strategic, value-added and cost-saving payoffs of investing in technology and to set the framework for evaluating which information technology vendors will best meet B.C. Hydro's requirements. Correspondingly, this framework is sufficiently flexible to provide choices for the individual end users while adhering to international standards for data communications and information exchange. An example of this can be seen in Production where a $13 million project to move applications from the corporate mainframe to distributed processors and local area networks is being implemented over a three year period.

B.C. Hydro's customers will benefit from the corporation's ability to maintain an information management and technology infrastructure which supports its evolving business directions and improves efficiency. The corporation and its customers will both benefit from an infrastructure which enables it to concentrate on its primary business of generating and distributing electricity.

Electronic Banking

One financial area where technology will play a key role in the upcoming years is the processing of B.C. Hydro's receipts and disbursements.

B.C. Hydro recently chose the Bank of Montreal to be the corporation's lead banker for the next five years and will be working to develop a strong strategic alliance with the bank whereby the two organizations will help each other meet long range goals. One of these goals is to improve the efficiency of B.C. Hydro's banking operations and cashflow forecasting by moving from a paper-based to an electronic banking system.

The implementation of electronic banking will result in some very significant changes:

- B.C. Hydro will be automatically compensated for its services via predetermined electronic funds transfer between the customer's bank and B.C. Hydro's bank.
- B.C. Hydro's financial and payroll obligations will be arranged and settled by means of electronic data interchange and electronic funds transfer.
- B.C. Hydro's information systems will, on a real-time basis, integrate receipts and disbursements data into an accurate, reliable cashflow forecast.
- B.C. Hydro's banking system will support the decentralization initiative while maintaining the integrity of cashflow forecasting and supporting efficient debt and investment management.

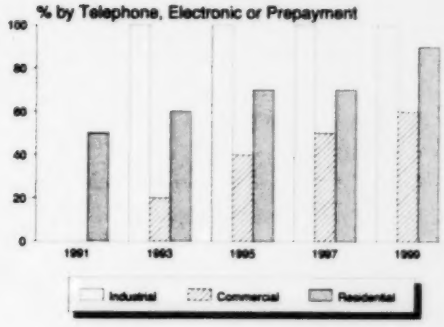
A variety of electronic banking options will be considered over the next ten years in order for customers to choose how they want to do business with B.C. Hydro. Examples of these options are:

- INTERACTIVE VOICE RESPONSE: Customers can access their billing information and through pre-arranged instructions authorize the debit to their bank account.
- ATM BILL PAYMENT: Customers can access their billing information through an automated teller machine and authorize the debit to their bank account.
- HOME BANKING: Customers can access their billing information through their home computer and authorize the debit to their bank account.
- PRE-AUTHORIZED PAYMENT: Customers can authorize the bank to automatically debit their bank account and receive an annual statement outlining billings and payments.

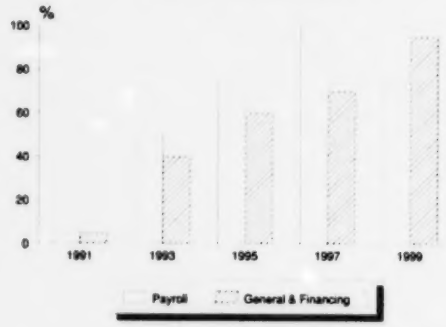
- PRE-PAID BULK PAYMENTS: Residential and commercial customers can elect to buy electricity in advance at a discount and after one year have the option to sell the unused power back to B.C. Hydro.
- PRE-PAID METERS/SMART CARD: Residences would be outfitted with meters that require the Smart Card to operate the flow of power. The Smart Card would be activated with a dollar value of electricity at any bank.
- DEBIT CARD: Customers can pay their bill at banks or B.C. Hydro offices with an electronic debit card rather than cash or cheque.
- AUTOMATED METER READING: Electricity consumption is automatically captured and automatically debited to the customer's bank account.

By the end of this decade, the goal is to have the majority of B.C. Hydro's receipts and disbursements handled electronically. A major team effort involving B.C. Hydro Treasury, Customer Service and technical staff along with the Bank of Montreal and other financial institutions will be required to achieve this goal.

Electronic Receipts



Electronic Disbursements

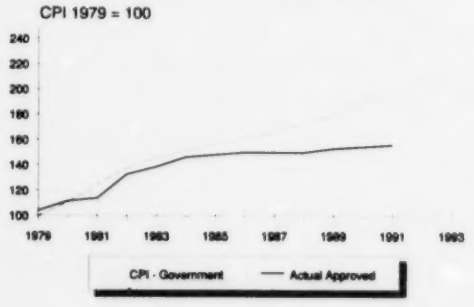


Electricity Rates

With real electricity prices declining and cost pressures associated with maintaining a reliable energy supply to our customers increasing, B.C. Hydro will be working, through the rate application process, to develop an appropriate rate strategy for the future.

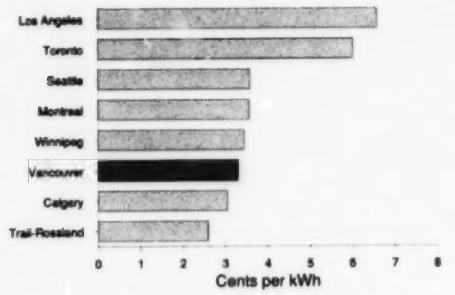
Electricity prices charged to B.C. Hydro's customers have increased at a rate significantly below that of inflation since 1987. This is particularly true in the residential sector.

Residential Rate Increases
Compared to Consumer Price Index

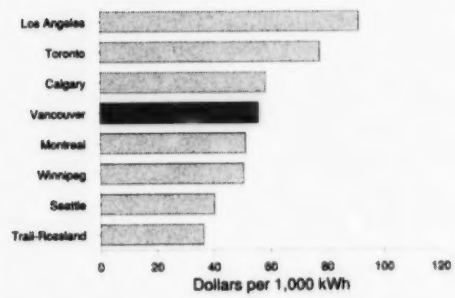


In addition, B.C. Hydro's rates compare favourably to other cities in North America.

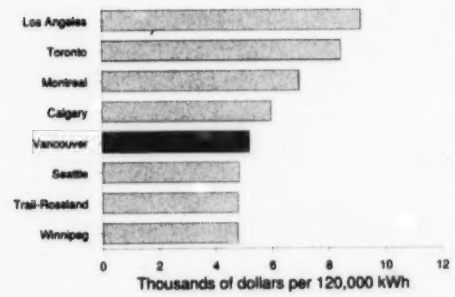
Bill Comparison - Canadian & Western USA
Large Industrial



Bill Comparison - Canadian & Western USA
Residential

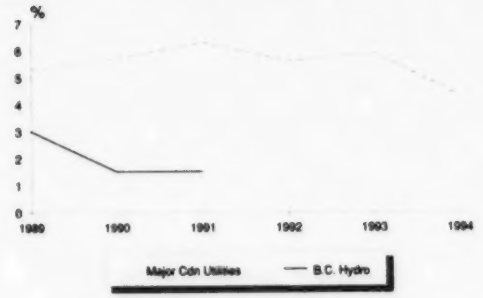


Bill Comparison - Canadian & Western USA
General Use



B.C. Hydro's rate increases have also been consistently lower than those of other major Canadian utilities for the 1989 to 1991 period. Over the next three years, the average rate increases of these utilities are expected to be higher than the rate of inflation primarily due to the increased costs associated with the acquisition of new energy supply, maintenance of aging electric systems and growing emphasis on demand side management programs. These same cost pressures also apply to B.C. Hydro's rates which will have to be increased to meet operational and financial requirements.

Actual and Projected
Average Rate Increases



The development of an appropriate rate strategy will be a team effort involving B.C. Hydro, the provincial government and other stakeholders, with the British Columbia Utilities Commission making the final determination on rates. B.C. Hydro will utilize input from the provincial government and the public to determine what a reasonable level of rate increases are in the context of the corporation's operating mandate and financial performance. Emphasis will be placed on ensuring a reliable supply of energy from existing and new sources, recovering costs and earning an appropriate return on capital.

Another aspect of electricity rates is how they are structured. At present, residential and commercial rates decline as the amount of electricity used increases. Industrial customers pay a flat rate. B.C. Hydro will be proposing a restructuring of rates to encourage conservation.

These changes will be based on the position that smooth, predictable and fair rates which reflect the higher costs of future electricity supply will help to promote conservation. The anticipated changes would move residential and commercial customers to a flat rate for electricity over a period of years. Eventually, rates would be inverted so that residential and commercial customers' rates will increase if consumption exceeds a basic level. For industrial customers B.C. Hydro is considering individually negotiated contracts which permit innovative and efficient rates based on costs and geographic location of customers. Overall, the rate restructuring will not change total revenues from electricity sales and future increases should be smooth and predictable.

Financial Plan

Maintaining financial flexibility by managing the corporation's level of operating and capital expenditures continues to be a key factor in the development of business strategies for the next three years. In light of this, some key financial highlights over the Plan years are:

- Operations, maintenance and administration (OM&A) unit costs are projected to remain at approximately the same level.
- $83 million in special funding has been allocated to address the backlog of maintenance work.
- Planned capital spending will average approximately $610 million per annum.
- Financial performance will deteriorate significantly if no further rate increases are approved.
- Emphasis will be placed on earning returns on equity and invested capital comparable to those of investor-owned utilities.

Revenues

Revenue growth is expected to slow down substantially in fiscal 1992 with total revenues projected to be $1,897 million. Included in this amount is $1,856 million in domestic electric revenues, an increase of 3.1% from 1991 primarily due to an anticipated 2.7% growth in electricity demand and the effect of a 1.5% rate increase on April 1, 1991. This is partially offset by a decline in other electric revenues. Non-electric revenues of $41 million projected for fiscal 1992 include net gains on sales of surplus property and other assets.

With no further rate increases assumed for planning purposes, total revenues are forecast to grow at an average annual rate of 1% in fiscal 1993 and 1994. Electricity demand is projected to increase gradually over this period as the economy recovers. By fiscal 1994, B.C. Hydro's Power Smart and self-generation energy reduction initiatives are expected to moderate demand and reduce revenues by approximately $66 million. In the longer term, the revenue reduction and implementation costs associated with these initiatives will be offset as the energy savings are used to meet increased demand at a cost lower than the cost of new electricity supply. The result will be a positive impact on net income.

Cost of Energy

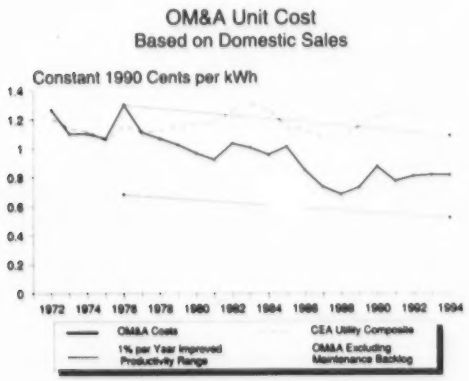
Costs associated with energy generation include water rentals, the operating costs of Burrard Thermal and purchases from other utilities and private sector producers. These costs are projected to increase at an average annual rate of 1.6% over the next two years largely as a result of increased energy sales. Cost of energy is expected to increase significantly in fiscal 1994 to $306 million when two large Independent Power Producers start to deliver energy to B.C. Hydro.

No provision has been made for water rental indexation as these higher costs will be offset by a corresponding flow through rate increase.

Expenses

Total expenses, excluding finance charges, are forecast to increase by 11.9% in fiscal 1992. This significant increase is due to higher taxes and the provision of $20 million for maintenance backlog work. Excluding the maintenance backlog, the real increase in total expenses per kilowatt hour is expected to be approximately 1% in fiscal 1992. For fiscal 1993 and 1994, these expenses are forecast to increase by an average of 6.6% per annum.

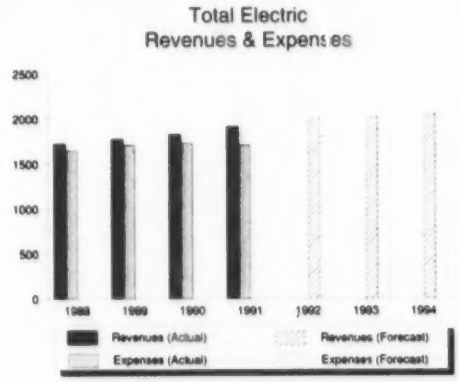
Continued emphasis is being placed on controlling the potential for rapid growth in OM&A costs. Targets were established during the planning process to constrain the level of operating expenditures while adhering to our commitment to maintain system reliability. For fiscal 1992, OM&A costs excluding maintenance backlog expenditures are expected to increase by 6.2% from 1991, which is slightly above the rate of inflation. This increase is required to allow for customer growth while maintaining historical productivity improvements and the steady-state maintenance program. For fiscal 1993 and 1994, it is expected that there will be limited real growth in these costs.



In fiscal 1991, a five year Strategic Maintenance Plan was approved by the Board of Directors providing $128 million of funding to address the backlog of maintenance and major rehabilitation work on aging equipment and facilities. Over the next three years, it is forecast that $83 million will be expended on the maintenance backlog. This expenditure will be in addition to the estimated $120 million annual cost of ongoing steady-state maintenance work.

Taxes for fiscal 1992 are projected to be $118 million, an increase of $20 million from 1991. This significant increase is largely due to expected increases in assessed values and tax rates. For fiscal 1993 and 1994, taxes are estimated to increase by 3.7% per annum.

Depreciation will increase gradually from $230 million in fiscal 1991 to $289 million in fiscal 1994 as additional fixed assets are placed in service and demand side management costs increase. In addition, $72 million in hydroelectric project study costs are being amortized over five years at $14 million per annum.



Finance Charges

With minimal growth in revenues and increased capital expenditure programs, finance charges are forecast to increase over the Plan years from $757 million in fiscal 1992 to $828 million in fiscal 1994. The impacts of higher capital expenditure levels are partially offset by projected declining interest rates and higher capitalized interest.

The average cost of borrowing is expected to decline in fiscal 1992 to 10% and increase slightly to 10.5% by 1993. The Canadian dollar is projected to gradually decline from $0.81 in fiscal 1992 to $0.79 cents by 1994.

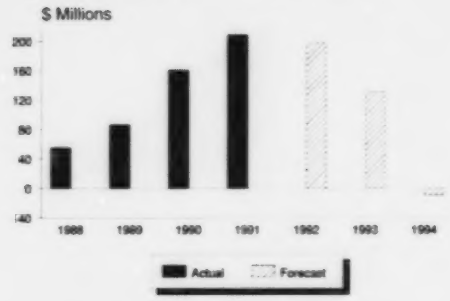
Electricity Trade

Income from trade in electricity is expected to decline slightly from $41 million in fiscal 1991 to about $38 million in fiscal 1992 mainly due to a prediction of above average water run-off in the Pacific Northwest which will reduce trade potential. Income from electricity trade is forecast to remain stable in fiscal 1993 and 1994 at $35 million per year.

Net Income

With no rate increases assumed beyond the approved 1.5% effective April 1, 1991, net income is projected to decline significantly from $192 million in fiscal 1992 to a loss of $9 million in fiscal 1994.

Net Operating Income/Loss
After Rate Stabilization Transfers

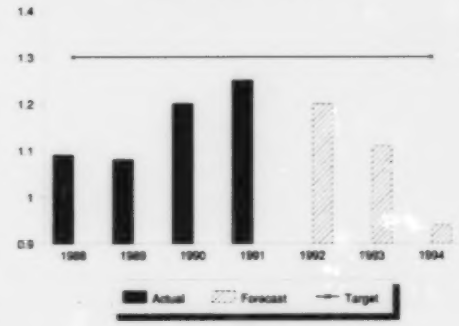


Financial Performance

B.C. Hydro's financial performance is expected to deteriorate over the next three years assuming no further rate increases in fiscal 1992 to 1994. The rate increases of 3% effective November 15, 1989 and 1.5% effective April 1, 1990 and April 1, 1991 approved by the British Columbia Utilities Commission are significantly below the rate of inflation. As a result, real electricity prices will decline by about 10% over the fiscal period 1990 to 1992.

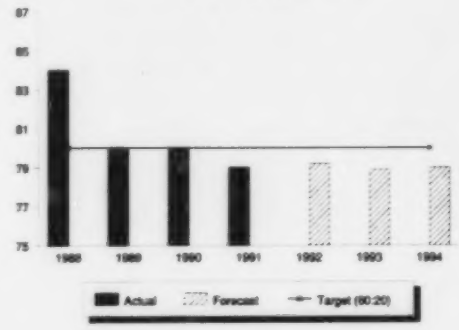
Based on this level of rate increases, B.C. Hydro will not achieve a minimum interest coverage ratio of 1.3 by fiscal 1992 as established in a Special Direction issued by the provincial government in 1989. The interest coverage ratio is projected to decline from 1.25 in fiscal 1991 to 1.20 in 1992. Had B.C. Hydro received 3% annual rate increases for fiscal 1991 and 1992 the interest coverage ratio would be very close to the target of 1.3. In order to ensure smooth, predictable and fair rate increases, B.C. Hydro will be pursuing a rate strategy in consultation with the provincial government, which will enable the corporation to recover costs and achieve this financial target.

Interest Coverage Ratio



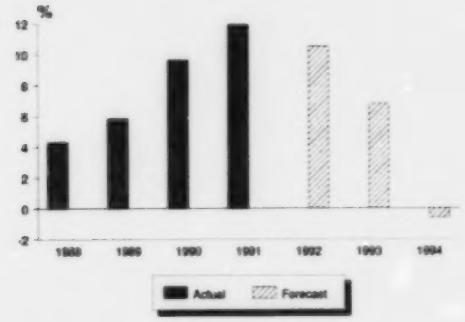
The debt to equity ratio is expected to remain unchanged at 79:21 over the next three years. Total debt is projected to increase by $867 million during the Plan period, along with an increase of $212 million in equity. The minimum target ratio of 80:20 should be achieved after the distribution of $209 million to the provincial government over the next three years.

Debt to Equity Ratio

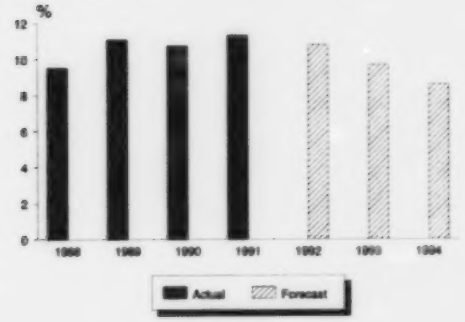


In addition to the financial standards established by the provincial government, increased emphasis will be placed on returns on equity and invested capital to measure B.C. Hydro's financial performance relative to investor-owned utilities. With no further rate increases, return on equity is projected to be 10.4%, 6.7% and (0.5)% for fiscal 1992, 1993 and 1994 respectively. Return on invested capital is forecast to be 10.8%, 9.7% and 8.6% for the same period.

Rate of Return on Equity



Rate of Return on Invested Capital



Capital Plan

With a wide array of capital projects competing for limited funds, a new capital planning process was used to facilitate the prioritization of projects and the allocation of funds. Proposed projects were evaluated based on their expected contribution to the achievement of corporate objectives and a benefit/cost ranking of these projects was used to support the allocation of capital funds. Capital expenditure levels for the three years of the Plan are expected to be $585 million, $610 million and $635 million.

The fiscal 1992 figure of $585 million represents a 44% increase over the $405 million forecast to be spent in fiscal 1991.

Capital Expenditures

The major reasons for the higher level of capital expenditures are:

- Increased expenditures on Power Smart programs.
- Resource Smart projects to improve the efficiency and usage of existing hydroelectric facilities.
- Planned expansion of the transmission system and additions to existing substations to maintain system reliability and accommodate growth in customer demand.
- Redevelopment of three major Control Centres.
- Ongoing dam safety rehabilitation and remedial work.
- A projected 2% growth in the number of customers requiring extensions and improvements to the distribution system.
- Development of new corporate and regional facilities.
- Information system development and acquisition of computer equipment to support B.C. Hydro's technology plan, handle the growth in customer volumes and improve service quality.

The annual capital plan includes adjustments to limit total spending through anticipated under-expenditures on future projects which may be achieved by deferrals or eliminations when individual project approval decisions are made.

Borrowing

Borrowing net of debt retirements and sinking fund changes is expected to be $215 million, $240 million and $316 million over the next three years. This growth is due to low revenue growth and the level of capital expenditures over the Plan years.

Distribution to the Province

In accordance with the Order in Council dated October 5, 1989, B.C. Hydro is required to make an annual distribution to the province equal to approximately 75% of net income less an adjustment for interest during construction. Annual distributions of $115 million and $69 million are projected for fiscal 1992 and 1993 respectively. An accrued distribution on preferred funding of $25 million is forecast for fiscal 1994.

Forecast Uncertainty

As with any forecast, this financial plan is affected by the uncertainty associated with planning assumptions made about interest and inflation rates, sales growth and other factors. The impact of incremental changes in key planning assumptions on B.C. Hydro's net income is illustrated in the following table:

	Incremental Change	Impact on Net Income (in millions)
Sales Price (cents/kWh)	+1/10 cent	+$45
Sales Volume (GWh)	+ 1%	+$16
Weather Conditions:		
- colder than normal degree days	1%	+$5
- warmer than normal degree days	1%	-$4
School Taxes and Grants	+ 1%	-$1
Interest Rates	+ 1%	-$15
Exchange Rate	+1 cent	+$3
Inflation Rates:		
- Salary/Wages	+ 1%	-$2
- Materials	+ 1%	-$2
Cost of Oil	+$2/barrel	-$1

The financial plan is developed based on the most likely planning assumptions. A range of net income forecasts based on variations in assumptions regarding load growth, interest and foreign exchange rates, economic growth and electricity trade is:

	1992	1993	1994
		(in millions)	
NET INCOME (LOSS):			
Low	$ 130	$ 80	$ (65)
Probable	192	131	(9)
High	240	180	40

CONSOLIDATED STATEMENT OF OPERATIONS

for the years ending March 31

(in millions)

	1991	1992	1993	1994
	Projection		Plan	
REVENUES				
Residential	$ 611	$ 624	$ 635	$ 641
General	607	618	635	645
Transmission	428	435	446	453
Other	90	116	80	88
Rate increases (Note 1)	76	104	107	108
	1,812	1,897	1,903	1,935
Cost of energy	242	242	250	306
GROSS MARGIN	1,570	1,655	1,653	1,629
EXPENSES				
Operations, maintenance and administration	337	358	378	399
Maintenance backlog	—	20	33	30
Taxes	98	118	119	127
Depreciation and amortization	230	248	265	289
Finance charges	742	757	762	828
	1,407	1,501	1,557	1,673
OPERATING INCOME (LOSS) FROM DOMESTIC OPERATIONS	163	154	96	(44)
Electricity trade	41	38	35	35
NET INCOME (LOSS)	$ 204	$ 192	$ 131	$ (9)
DISTRIBUTIONS to the PROVINCE	$ 141	$ 115	$ 69	$ 25
Interest coverage ratio	1.25	1.20	1.11	0.94
Return on equity	11.8%	10.4%	6.7%	(0.5)%
Return on invested capital	11.3%	10.8%	9.7%	8.6 %

Note:

1. Rate increases include the approved rate increases of 3.0% effective November 15, 1989, 1.5% effective April 1, 1990 and 1.5% effective April 1, 1991.

CONSOLIDATED BALANCE SHEET

as at March 31

(in millions)

	1991	1992	1993	1994
	Projection		Plan	
FIXED ASSETS				
Fixed Assets in service	$ 11,160	$ 11,480	$ 11,994	$ 12,386
Less - Accumulated depreciation	2,975	3,199	3,412	3,623
	8,185	8,281	8,582	8,763
Unfinished construction	299	454	403	467
	8,484	8,735	8,985	9,230
CURRENT ASSETS				
Temporary investments	42	48	52	53
Accounts receivable	350	353	356	363
Materials and supplies	50	54	52	54
Prepaid expenses	54	49	48	48
Property held for sale	21	19	6	4
	517	523	514	522
DEFERRED CHARGES and OTHER ASSETS				
Foreign currency translation	95	122	135	149
Debt discount and issue costs	47	43	39	35
Deferred energy cost	2	6	6	5
Demand Side Management programs	52	98	153	206
Loan receivable	44	115	115	115
	240	384	448	510
	$ 9,241	$ 9,642	$ 9,947	$ 10,262
LONG-TERM DEBT	$ 6,870	$ 7,166	$ 7,417	$ 7,748
CURRENT LIABILITIES				
Accounts payable	218	207	220	224
Accrued interest	230	255	249	271
Distributions payable to the Province	141	115	69	25
	589	577	538	520
DEFERRED CREDITS				
Deferred revenue	61	78	96	114
Contributions arising from the Columbia River Treaty	313	304	295	286
Contributions in aid of construction	410	442	464	491
	784	824	855	891
PREFERRED FUNDING	235	235	235	235
RETAINED EARNINGS	763	840	902	868
	$ 9,241	$ 9,642	$ 9,947	$ 10,262

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the years ending March 31

	(in millions)		
	1992	1993	1994
		Plan	
OPERATING ACTIVITIES			
Operating income (loss)	$ 192	$ 131	$ (9)
Depreciation and amortization	259	277	302
Distributions to the Province	(115)	(69)	(25)
Working capital changes	21	(45)	(13)
Loss (gain) on sale of assets	(33)	3	(3)
Other	22	18	8
Funds provided by operating activities	346	315	260
INVESTING ACTIVITIES			
Fixed asset expenditures	(585)	(610)	(635)
Contributions in aid of construction	54	47	52
Net proceeds from sale of assets	47	12	8
Loan advances	(71)	—	—
Funds used for investing activities	(555)	(551)	(575)
FINANCING ACTIVITIES			
Borrowings	520	600	1,330
Retirement of long-term debt	(320)	(415)	(916)
Sinking fund changes	(60)	(20)	(173)
B.C. Gas note receivable	75	75	75
Funds provided by financing activities	215	240	316
INCREASE IN FUNDS	$ 6	$ 4	$ 1

CAPITAL EXPENDITURES PLAN *for the years ending March 31*	(in millions) 1992	1993 Plan	1994
ELECTRIC SYSTEM PLAN:			
Generation	$ 49	$ 75	$ 82
Transmission	28	55	140
Substations	78	93	91
Control and Communication	38	35	25
	193	258	338
DISTRIBUTION PLANT:			
Customer Extensions	42	45	49
Improvements	43	45	48
Other	47	50	53
	132	140	150
OTHER SPECIFIC CAPITAL:			
Computer Systems and Equipment	54	55	55
New Corporate Offices	92	65	-
Power Smart Programs	45	65	68
Vehicles Replacement	16	12	13
Regional Facilities	23	20	22
Other	77	50	52
	307	267	210
SURVEYS and INVESTIGATIONS	11	12	12
COMPENSATION and MITIGATIONS	7	8	10
ADJUSTMENTS:			
Allowance for Carry Forward	(35)	—	—
Expenditure Control	(30)	(75)	(85)
TOTAL CAPITAL EXPENDITURES	$ 585	$ 610	$ 635

Glossary

CAPABILITY - The energy output of a generating station or the integrated system under specified conditions for a given time interval (usually one year).

CAPACITY - The rating of the output from a generating station or the system. Several capacity values may be identified as follows:

- Maximum: the maximum output that can be achieved.
- Nameplate: the maximum output specified by the manufacturer.
- Dependable: the maximum output that can be reliably supplied during peak load months (December and January).
- Firm: based on dependable capacity, unit availability and system characteristics.

COGENERATION - The simultaneous production of mechanical or electrical energy and useful thermal energy in the form of steam or hot water from a single fuel source.

COORDINATION - Pooling of resources and/or loads between utilities to allow more efficient operation. Coordination, involving joint reservoir management, may increase the annual availability of firm energy from the existing hydroelectric plants in the B.C. Hydro system. It may enable each participating utility to defer new power plant construction.

DEMAND - The amount of electricity required by the system or by customers.

DEMAND SIDE MANAGEMENT - Actions that influence energy demand to better match energy supply.

DISTRIBUTION SYSTEM - Refers to facilities (i.e. lines, transformers and switches) used to distribute electricity over short distances from the Transmission System to the customer. Distribution is generally at low voltage (below 69 kV).

FIRM ENERGY - The assured energy contribution (kWh) of generating plants over one year. For the B.C. Hydro system the firm energy capability is based on the average annual energy available during an extended period of adverse stream flows (the critical period).

GIGAWATT HOUR (GWh) - One million kilowatt hours. B.C. Hydro measures the energy output of generating stations in gigawatt hours. The city of Vancouver uses 4,000 GWh each year.

GENERAL CUSTOMER CLASS - Light manufacturing and service industries that purchase electricity at non-transmission voltages.

INDEPENDENT POWER PRODUCER - A person or company whose independent generating facility is connected to a utility system such that electricity may be sold to the utility.

INTEGRATED SYSTEM - The interconnected network of transmission lines and substations linking generating stations to one another and to customers. Also represents that portion of the B.C. Hydro electric system capable of being operated on a coordinated basis.

INTEREST COVERAGE RATIO - A financial performance indicator that measures the extent to which net income contributes toward the ability to meet gross interest payments.

LOAD - The amount of electricity required by a customer or group of customers.

MEGAWATT (MW) - One thousand kilowatts (kW), commonly used to measure the capacity of generating stations.

NON-INTEGRATED AREAS - B.C. Hydro service areas, remote from the integrated system and usually supplied by a local diesel generator.

POWER SMART - Collective name given to B.C. Hydro's strategy to improve the efficiency of electricity use. The reduction in future additional demand will help to defer large capital outlays and finance charges associated with new power plant construction.

RESIDENTIAL CUSTOMER CLASS - All single electric metered dwellings occupied by customers and used as residences.

RESOURCE SMART - Collective name given to B.C. Hydro's strategy of ensuring that full economic use is made of the capacity and energy potential of existing facilities so that major new project construction may be deferred as long as possible.

SECONDARY ENERGY - The energy that is available when water conditions are such that there is more than enough water in the reservoirs to meet firm requirements of regular customers. Secondary energy is not guaranteed to always be available.

SELF-GENERATION - Generation of electricity by a customer for their own use. Self-generation can include cogeneration.

TRANSMISSION CUSTOMER CLASS - Businesses in the heavy manufacturing industries including pulp and paper, wood products, mining and petroleum that purchase electricity at transmission voltages.

TRANSMISSION SYSTEM - Refers to those facilities (i.e. lines, transformers and switches) used to transport electricity in bulk from sources of supply to the Distribution System. Transmission is generally at high voltage (69 kV and above).

WATER LICENCE FEE - Annual payment to the provincial government in respect to the amount of electricity generated, the acres of land flooded, the installed plant capacity plus other charges for storage, etc. Also known as water rental fees.

WHEELING - The transmission of electric power from one system to another (often from a producer to a consumer) through a third party (usually the owner of the transmission facilities).